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# **China Report**

**ECONOMIC AFFAIRS**

**No. 199**



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25 January 1982

# CHINA REPORT

## ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### ECONOMIC RESPONSIBILITY SYSTEM EXAMINED

HK150117 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 20 Dec 81  
pp 3-8

[Article by Xu Dixin [6079 3321 2450]: "Questions Concerning the System of Economic Responsibility in State Enterprises"]

[Text] 1. The Necessity of Implementing the Economic Responsibility System

Following the attainment of many commendable results in the implementation of the agricultural production responsibility system in many localities, the system of economic responsibility in state enterprises has developed steadily in many cities and towns.

The implementation of the system of economic responsibility in state enterprises (embracing industrial, mining, communications and commercial enterprises) is necessary. Following our country's triumphant emergence from the war of liberation in 1949, and as a result of the confiscation of the state monopoly capital of the four big families of the Kuomintang, we set up socialist enterprises under the system of ownership by the whole people. These enterprises under the system of ownership by the whole people are controlled by the state under the dictatorship of the proletariat representing the whole people and are known as socialist state enterprises. After the liquidation of the enterprises run by foreign capital in China and the socialist transformation of the industrial and commercial enterprises of the national bourgeoisie, the socialist state-run economy of our country became the principal part of the national economy. Naturally, the state enterprises of our country consisted of not only those formerly belonging to the several sources mentioned above but also many large and medium-sized modern industrial, mining and communications enterprises built by the Chinese people with their own hands under the leadership of the Chinese Communist Party over the past 30 years and more of socialist construction. Nearly all of the largest state-run industrial enterprises of a nationwide scope were established by investments from the state, such as the Anshan Iron and Steel Company, the Wuhan Iron and Steel Plant (including the 1.7 metre steel-rolling equipment), the Liaoyang Chemical Fibre Plant, the Shanghai Petrochemical General Plant, and so on. The activities of these state enterprises are related to the national economy and the people's livelihood. The degree of their socialization duly reflects their character of ownership by the whole people. Facts over the past 30 years and more have testified that despite certain setbacks in the course of development, generally speaking our

country's state-run economy under the system of ownership by the whole people has scored good results. Take the fixed assets of state-run industrial enterprises for example: In 1952, they amounted to 10.72 billion yuan but were increased to 325.32 billion yuan in 1979, an increase of 2900 percent, while the increase in the gross output value of state-run industrial enterprises, from 1979 to 1952, was 3200 percent. Looking solely at the state-run industrial enterprises, our socialist state-run economy has demonstrated a vitality that is rising every day.

Naturally, many problems are still outstanding in both the system and method of management of our country's socialist state-run economy. Among them, the most prominent ones are the two big problems of the economic relations between the enterprises and the state and the internal distribution relations of the enterprises themselves.

For a long time, our state enterprises have operated under the system of unified profits and losses. The fixed capital and a portion of the circulation capital of the enterprises were allocated by the state without compensation. All the profits and depreciation funds of the enterprises had to be remitted to the state. This system is what is known the world over as "eating out of a big pot." Actual practice has shown that this is not conducive to stimulating the enthusiasm for production and operation on the part of the enterprises. This is because those enterprises turning in a good performance and those with a poor performance are treated, quite irrationally, alike and it makes no difference whether their performance is good or bad. It may also be said that the enterprises are given a different and also irrational treatment, since those incurring losses annually must remit their profits and depreciation funds to the state. Under such conditions, how can the enthusiasm for production on the part of the enterprises and their staff be aroused? For a long time in the past, we have considered the system of "unified profits and losses," amply illustrated in "eating out of a big pot," as a special feature of socialism and treated the opposite of "eating out of a big pot," that is to say, "responsibility for one's own profits and losses," as a special feature of capitalism. True, since capitalist enterprises are privately-owned by capitalists, they must be responsible for their own profits and losses. This applies to limited companies and unlimited companies alike. If it happens that an enterprise cannot stand on its own feet on account of losses, then those capitalists who own its stocks must be responsible for the losses. However, in our country, on account of the practice of "eating out of a big pot," those state enterprises which habitually incur a loss year after year can still continue to incur losses and the state will make good the losses and the responsible people of the enterprises hold no responsibility at all, either economically or legally. Does not a situation of this kind depict the following: That "eating out of a big pot" protects the backward enterprises which incur a deficit year after year, that it increases the dependence of the enterprises on the state, and that it actually impedes the development of society's productive forces under the socialist system? "Eating out of a big pot" is not necessarily a special feature of socialism; on the contrary, it is disadvantageous to the development of socialist production. Implementing the economic responsibility system refutes the practice of "eating out of a big pot." It aims to make the leaders and staff and workers of the enterprises responsible to the state for profits and losses, that is to say, it aims to link together responsibility and economic interests and will really bring about the unification of power, responsibility and interests. Initial

practice has shown that implementation of the economic responsibility system is capable of arousing the activism of the enterprises in management and operation and is capable of promoting the development of socialist production.

As for the distribution relations within socialist state enterprises, it is clear that the governing principle is "distribution according to work." However, over many years, due to the propagation of egalitarianism, the adoption of this principle of distribution according to work has been disrupted and has not been universally adopted. Egalitarianism gives the same amount of wages to those who work and to those who do not work, to those who work well and to those who work poorly, and to those who work more as well as to those who work less. It severs the relationship between the wages (including bonuses) of staff and workers and the results of their work. It makes the masses of staff and workers lose their sense of responsibility to the state and to the enterprises, and actually converts their working post to an "iron rice bowl." This being the case, how is it possible to activate the enthusiasm of staff and workers? How is it possible to raise their labor productivity rate? Implementation of the economic responsibility system aims to link together the responsibility system at various levels with the principle of distribution according to work. It directly links the income of the masses of staff and workers with the results of their labor and refutes the idea of holding an "iron rice bowl." This is an absolutely necessary condition viewed from the angle of developing society's productive forces and raising labor productivity.

Implementation of the economic responsibility system furnishes the key to the solution of the two big problems of the economic relations between the enterprises and the state and the internal distribution relations of the enterprises. It is also an important road to the solution of the two big problems of "eating out of a big pot" and holding an "iron rice bowl." Facts have shown that actually these two problems are closely interrelated. If one cannot "eat out of a big pot" then one will be unable to hold an "iron rice bowl." At the same time, the theory backing an "iron rice bowl," that of egalitarianism, is the same theory backing "eating out of a big pot." We can learn from an initial practice of implementing the economic responsibility system that it demarcates clearly the responsibility and authority between the enterprises and the state and between the various levels inside the enterprises. The economic responsibility system demands of the enterprises the fulfillment of not only the value targets such as profits and production cost but also of the use-value targets such as output quantity, variety, quality of products, and so on. Only in this way can we correctly solve the two big problems, one following the other, concerning the economic relations between the enterprises and the state and the internal distribution relations of the enterprises. And only in this way can the aim of socialist production be manifested.

## 2. Concrete Forms of the Economic Responsibility System in State Enterprises

Since the condition of our country's state enterprises, including those engaged in industry, mining, transportation, commerce and banking, is rather complex, the economic responsibility system to be adopted therein cannot simply be of only one form. Taking only industrial enterprises for example, there are roughly five different forms all of which are intended to handle well the economic relations between the enterprises and the state. They are: (1) for enterprises which already have expanded decisionmaking power or autonomy, the form of profit retention



is in use; (2) for loss-incurring enterprises, the form of assigning responsibility for task completion and losses is in use; while for those enterprises not making much profit, the form of assigning responsibility for task completion and for profits made is in use; (3) for small enterprises, the form of responsibility for one's own profits and losses is in use and the former method of remitting the profits is changed to payment of income tax; (4) within the scope of provinces, districts, or large and medium-size cities and towns, the form of assigning responsibility for task completion to each industry, or trade, or company, is in use; and (5) within the scope of special districts, medium-sized and small cities and towns, the form of assigning responsibility for task completion to each locality is in use. These are the concrete forms of the various types of economic responsibility system that have already appeared in the various cities and towns and localities. These concrete forms have all arisen from the concrete conditions of the enterprises.

As for the solution of the internal distribution relations of the enterprises, there are also five principal forms: (1) piece-rate of excess-quota piece-rate wages; (2) floating wages; (3) excess production quota bonus; (4) bonus computed on the points system; and (5) copying the rural method of linking remuneration to output and assigning production responsibility for task completion to each workshop, team or unit, or individual.

Since the production and operation methods of industry, mining enterprises, and the transportation trade differ from each other and also since the management and operation of industry, commercial enterprises and banking likewise differ widely from each other, the concrete form of the economic responsibility system adopted cannot be uniform but must follow the concrete conditions of the enterprises concerned. Thus, in actual practice, the forms mentioned above are also subject to revision or improvement.

Between industry and agriculture, each has its special features in the form of production and operation. Although in principle the systems in agriculture of assigning the households full responsibility for task completion or fixing output quotas for individual households may serve as useful reference for the economic responsibility system in industry, yet, if the rural method is copied in its entirety, and if the method of linking remuneration to output is copied simply or without elaboration, the result may not necessarily help to improve the economic relations between the enterprises and the state or to improve the internal distribution relations of the enterprises.

### 3. Problems Worthy of Note in Implementing the Economic Responsibility System in State Enterprises

As mentioned above, the economic responsibility system demands of the enterprises implementation of not only the value standards but also the use-value standards. Unfortunately, many people have linked the economic responsibility system only with profits. As a result, problems of various kinds have arisen.

It is known that in initial practice, due to the current economic responsibility system being mainly linked with profits, some industrial enterprises, aiming to attain even bigger profits, have actually resorted to the tactics of lowering the quality of their products. This obviously goes against the objective of socialist

production. Some industrial enterprises are found to have divorced their production from actual social needs. They have turned to producing, in large quantities and far exceeding social needs, long-line [products that are in excessive supply] products which yield large profits. They have refused to produce those products which yield small profits though urgently needed by society. As a result, the short-line [products that are in short supply] products have become more scarce while large quantities of the long-line products had to be stockpiled. Some enterprises resorted to the malpractice of indiscriminately raising the prices of their products, thus shifting the burden to the consumers, as a measure to increase their profits, while some other industrial enterprises, in order to grant more bonuses, make gifts and generally incur other improper expenses, raising the production cost of their products. Practices of this kind not only raise commodity prices but also reduce the profit remittances to the state. In short, this is tantamount to converting public property into private property. Moreover, many enterprises have continued to practice egalitarianism. They never reduced the granting of bonuses but rather increased them despite the fact that there was no appreciable improvement in the economic effect. What is more serious is that some leaders of certain enterprises, anxious for the interests of their own enterprises, would not educate the broad masses of their staff and workers on the importance of taking the whole situation into account but would work together with the backward staff and workers to employ devious means to sabotage the financial and economic policies of the state and take unfair advantages. We should pay great attention to all such cases.

In order to strengthen the economic responsibility system, we should grasp well the following problems:

(1) We must strive to achieve economic effect. Good economic effect means that we acquire the maximum material benefits through the minimum consumption of live labor and material labor (including raw materials, materials, fuel and equipment). In order to achieve good economic effect, state enterprises which have enforced the economic responsibility system must take the principal road of reducing the per unit production cost of products. This means that in the course of production, the enterprises must endeavor to lower the consumption rate of energy, lower the consumption rate of raw materials and keep the machines and equipment in good maintenance. In this way, the per unit production cost of the products will naturally be lowered and, under the originally fixed price conditions, the profits will increase. Unfortunately at present, there are still some enterprises which, in order to attain more profits, do not use the method of reducing the consumption of live labor and material labor but rather employ the method of tampering with the production cost by questionable means. Practices of this kind not only sacrifice the interests of the consumers but also sacrifice the interests of the state. They cannot solve, but actually deepen, the contradictions in the economic relations between the enterprises and the state. The state's demands of the enterprises to reduce the per unit cost of their products are not excessive or impossible demands. Rather, they constitute the economic principles that should and can be enforced. If only we can insist on running enterprises with diligence and frugality, can make careful calculation and do strict budgeting, and can practice economy, the per unit production cost of the products can be lowered. Enterprises which have enforced the economic responsibility system should resort to the measures of reducing the per unit production cost to attain and increase their profits, and to improve their economic effect.

(2) The good quality of the products must be ensured. Economic effect mentioned above concerns not only the problem of the quantity of the products but also the problem of their quality. As we know, commodities (under the socialist system of our country, products must still take the form of commodities) manifest the unification of value and use value. Because the economic responsibility system is mainly linked up with profits (which are the apparent form of value), the leadership of certain industrial enterprises, for the sake of obtaining more profits, paid attention only to the value of the products but neglected the use-value (quality) of the products. In order to obtain more profits, they frequently resorted to such measures as skimping on work and material and lowering the quality of the commodities. In so doing, the consequences for the state and the consumers are extremely serious. If, for example, an enterprise manufacturing construction materials should lower the quality of its products, then the plants, dormitories, and so forth, of the building units will be gravely endangered. If an enterprise manufacturing electrical machinery goods should lower the quality of its products, then the end-users of its products may run into difficulties. Similarly, if an enterprise manufacturing consumer goods should lower the quality of its products, then the broad masses of consumers may sustain losses and even impairment of their health. As we all know, the aim of socialist production is to satisfy the daily growing material and cultural needs of the people and society. Quite obviously, to meet these demands is not merely a quantitative problem but also a qualitative problem. Indeed, can substandard products and rejects that have no use-value satisfy the demands of the people and society? Lowering the quality of products in order to seek higher profits goes against the aim of socialist production. For the sake of strengthening the economic responsibility system, industry should by no means follow agriculture's example of linking remuneration to output but, rather, it should link remuneration to the quality of the products.

(3) Actual practice has shown that the economic responsibility system can raise the labor enthusiasm of the broad masses of workers. In this connection, performing well the job of production safety among the workers should never be neglected. Under the condition of the economic responsibility system, raising the labor productivity of the workers and at the same time performing well safety protection among the workers constitute the special features differentiating the socialist system from the capitalist system. As for the internal distribution relations of the enterprises, we must first reform the wage system and gradually let the principle of distribution according to work replace the principles of egalitarian distribution and distribution according to labor power or the number of workers. Here, the quota system is of utmost importance, since it forms the basis for distribution according to work. In actual practice, the quota cannot be fixed too low. If it is too low, anybody can exceed it without exerting much effort. Obviously, this would be disadvantageous to raising labor productivity. On the other hand, the quota cannot be fixed too high, otherwise everybody might expend much effort and labor but still fail to fulfill it, far less exceed it. This would hamper everybody's enthusiasm. For this reason, the quota fixed must be one that is on the average and also an advanced one. This is because such a quota can be fulfilled by the workers if they exert themselves. It facilitates the raising of labor productivity and at the same time arouses the enthusiasm for production on the part of the workers. It embodies great significance in strengthening the production responsibility system.



(4) In implementing the economic responsibility system, we must take into overall consideration the economic relations between the state, the enterprise and the individual. This involves the problem of taking the whole situation into account and planning accordingly. Since some people often take the economic responsibility system as being solely linked with profits, it appears that if the staff and workers can exceed the target in production then their wages will be raised, that on the part of the enterprises, if they can be well-managed then they can retain more profits and that the state, likewise, can increase its revenues through the implementation of the economic responsibility system. However, between the state, the enterprise and the individual, the revenue of the state should count first. This does not mean that we must neglect the interests of the enterprise or of the staff and workers. It means that if the state were left out, then socialist modernization could hardly progress smoothly. Take capital construction for example: By means of their profit-retention, enterprises could indulge in investments outside the state plan. This means that investments comprised in the state plan may be exceeded. And besides, investments outside the plan are frequently made in a blind manner and are duplicated, and this is contradictory to the demand of the law that the national economy must be developed in a planned and proportionate manner. Or, take the case of commodity prices in the market. If the gross volume of money constituting the income of the staff and workers for a whole year should exceed the state's available gross supply of consumer materials for the year, then there would be no way of preventing the prices of consumer materials from rising and that would in turn put the state in a passive position. At the same time, a rise in the prices of consumer goods would be highly disadvantageous to the broad masses of staff and workers. Of course, one principal way to solve this problem is to increase the production of consumer goods, but it must be remembered that a large increase in the production of consumer goods cannot be effected all at once. Hence, the control of the monetary income (especially bonus payments) of the staff and workers is a problem that should be watched closely. At the same time, in implementing the economic responsibility system, we must perform well political and ideological processing work and we must make the broad masses of staff and workers realize that their individual interests must give way to the interests of the whole, and that long-term interests should take precedence over immediate interests. They should realize that deviation from collective interests and long-term interests and one-sided emphasis on individual interests and interests of the enterprise would impair not only the collective interests but also the individual interests and the interests of the enterprise. Only in making the broad masses of staff and workers realize the above points can we correctly handle the economic relations between the state and the enterprise and can we correctly handle the internal distribution relations of the enterprises.

It is necessary to repeat here that what the economic responsibility system demands is that the enterprises and their staff and workers should be responsible to the state in regard to production, operation, profits and taxes, and at the same time that they should be responsible to the consumers. Enterprises should never raise prices at random or shift the burden to the consumers. Neither should they offer substandard goods in lieu of standard goods, nor should they deceive the consumers with such malpractices as substituting false goods for real goods, mixing substandard goods with goods that are up to standard and generally lowering the quality of the products. Deceiving the consumers is not only killing the good name of the enterprise itself but also damaging the prestige of the socialist economic system.

That state enterprises should implement the economic responsibility system is a certainty ordained by the state. Following the implementation of the economic responsibility system, the main task of the enterprise is to guide the activism of the cadres and masses of workers in the direction of tapping potential, to seek wealth through improving management and operation, to seek wealth from tapping potential, renovating and restructuring technological equipment, to seek wealth from economizing in the use of raw materials and through the comprehensive utilization of the "three wastes," and, in other words, by a multitude of ways and means to strive to raise the economic effect of production.

#### 4. The Economic Responsibility System Provides the Breakthrough in Enterprise Rectification

Initial practice has shown that implementing the economic responsibility system provides the breakthrough in enterprise rectification. Nevertheless, implementation of the system alone is not tantamount to all the work involved in rectifying the enterprises. In order that the economic responsibility system may produce the anticipated effect, it must be combined with other kinds of work. Let us take an example as follows: If no improvement is made in the management and operation of an enterprise, it will be difficult to effectively carry out such measures as reducing energy consumption, lowering the consumption of raw materials and keeping the machinery and equipment in good repair. As a result, the demand to reduce the per unit production cost cannot be met. Indeed, if the management and operation of an enterprise are not improved, then there can be no assurance that the inspection work on the quality of the products will be successfully carried out. If labor discipline is not rectified and workers do not come to work on time, or do not follow the prescribed work procedure, or can frequently turn out rejects or substandard products without being penalized, then the production and operation of the enterprise cannot proceed in normal order and all that has been said about the enterprise being responsible to the consumers for the quality of the products will be just empty talk. If the political and ideological processing work on the enterprises falls behind and if the activism of the workers has not been aroused then many of the demands of the economic responsibility system cannot be realized. Therefore, it must not be imagined that once the economic responsibility system has been enforced all outstanding problems will be immediately solved.

Truly, implementing the economic responsibility system is not the only lever for rectifying the enterprises. It must have the coordination and support of other measures such as improving the management and operation of the enterprises and the rectification of labor discipline and political and ideological work. Conversely, enforcement of the economic responsibility system is a motive force propelling the progress of the work on improving the management and operation of the enterprises and improving and rectifying labor discipline, and is also a forceful factor requiring the enterprises to strengthen their political and ideological processing work.

Implementing the economic responsibility system provides the breakthrough in enterprise rectification. But at the same time, it is closely related to enterprise reform. Thus, the facts are perfectly clear: Using the economic responsibility system to refute "eating out of a big pot"--is not this a reform of great significance? And using the economic responsibility system to refute the egalitarian wage system--is not this also a reform of great significance?

## 5. Does the Economic Responsibility System Change the Character of State Enterprises?

Some people may think that implementing the economic responsibility system is in effect changing the character of the system of public ownership of the means of production of state enterprises, the reason given being that the system brings about a thoroughgoing change in the economic relations between the enterprise and the state. For example, certain small state-run enterprises adopt the system of responsibility for their own profits and losses and instead of remitting the profits to the state pay income tax; and, for example, within the scope of certain special districts, medium-size and small cities and towns or counties, the system of assigning the districts full responsibility for task completion is adopted. Does not all this indicate that management of the enterprises falls outside the control of the state and that they have become independently-run units? And the use of income tax payment to replace the remittance of profits to the state--does this not mean that between the state and the enterprise there remain now only tax relations? In such a case, what difference is there between the state levying taxes on capitalist industrial and commercial enterprises? And, within the scope of special districts, medium-size and small cities and towns or counties, the operation of the system of assigning the districts full responsibility for task completion--does this not signify that the economic relations between the state and the enterprises have thinned down to the point of becoming nil?

In my opinion, the socialist system of ownership by the whole people of the means of production does not have its character altered by the implementation of the economic responsibility system.

(1) State-run enterprises of large and small sizes have expanded their decision-making power and enforced the system of "profit-retention." The enterprises which have enlarged their decisionmaking power are still responsible to the state for their profits and losses and remit the major portion of their profits to the state. This shows that the character of these enterprises has not suffered any change at all. They are still enterprises under the system of ownership by the whole people and subject to the control of the state representing the whole people.

(2) A portion of state enterprises incurring losses have adopted the system of being assigned responsibility for task completion and for losses while certain enterprises making small profits have adopted the system of taking responsibility for task completion and for profits. Both the former and the latter are still responsible to the state. This shows that these types of enterprises have not effected any change in their character.

(3) Within the sphere of provinces, districts, large or medium-size cities and municipalities, the adoption of the system of assigning responsibility for task completion to industries, or trades, or companies still does not render any change to their original socialist character, because herein the "assigning of responsibility for task completion" is conditioned on their assumption of the responsibility to the state.

As for the small state enterprises paying income tax in lieu of remitting their profits to the state, although in form some change has been effected in the economic relations between them and the state, yet the change is restricted only

to the fact that profit remittances are replaced by payment of income tax. Concerning enterprises within the scope of special districts, medium-size and small cities, towns or counties which have enforced the system of "assigning the districts full responsibility for task completion," they are responsible to the relevant controlling departments of the special districts, medium-size and small cities, towns and counties. Because of their small scope of operation and their large number, the state has entrusted the localities to take charge on its behalf. Hence, the measure of "assigning the districts full responsibility for task completion" cannot be taken as a basis to support the claim of a change in their socialist character.

Enforcement of the economic responsibility system in state enterprises has begun only recently. It can be said that it is still in the experimental stage. This requires us to be clear-headed and to watch closely the successes and defects following the implementation of the system, to summarize the experiences in good time, to promptly discover any new problems, and to suggest measures to solve them.

CSO: 4006/228



## ECONOMIC PLANNING

### HEBEI GOVERNMENT WORK REPORT

Shijiazhuang HEBEI RIBAO in Chinese 3 Nov 81 pp 1-3

[Article by Hebei Provincial Governor, Li Erzong [2621 1422 6850]: "Government Work Report. Delivered on 22 October 1981 at the Third Session of the Fifth Hebei Provincial People's Congress"]

[Text] Delegates:

I have been mandated by the Provincial People's Government to deliver the work report to the congress.

#### 1. The Work Situation During the Past More Than a Year

It has been 1 year and 8 months since the Second Session of the Fifth Provincial People's Congress elected and invested the Provincial People's Government last February. In this period of more than a year, under the leadership of the CCP Central Committee, the State Council, and the Provincial CCP Committee, we have abided by the line, the programs and policies since the 3d Plenary Session of the 11th Party Central Committee, have cleared away erroneous leftist influences, have emancipated mentality, and have taken a firm grip on economic readjustment to promote stability and unity, and to strive to develop production and various constructive endeavors. As a result of the efforts and struggle of the people of the province, new achievements have been won steadily on all battlefronts, and following the 6th Plenary Session of the 11th Party Central Committee and the Hebei Work Conference convened by the Central Committee, in particular, the situation has developed very rapidly, and the overall situation is good.

Agricultural output is better this year than last, and the entire rural economy has come alive. Last year a serious drought such as has rarely been seen in history took place; grain output fell, but cotton and oil bearing crops saw bumper harvests. Total cotton output was double the figure for the year before, and total output of oil bearing crops reached an all-time high. As a result, the textile industry in the province recouped self-sufficiency in raw materials, and the situation of edible oil shortage for people in cities and countryside began to turn around. As a result of indomitable struggle on the part of the people throughout the province this year, victory was again won over serious drought and other natural disasters, the grain harvest being a good one totaling 8.435 billion jin, 670 million jin more than last year. An increase over last year in total grain output for the year is forecast, and both cotton and edible oil crop outputs will approach last year's levels. Varying degrees of growth

have also occurred both in economic diversification and in household sideline occupations. An expansion of private plots, and work on transfer of privately retained mountains, and mountains for which responsibility has been designated are in process of being stringently carried out. The most fundamental reason for the new growth in agricultural output has been diligent implementation of a series of major directives from the Central Committee relating to liberalization of rural economic policies, active promotion of systems of responsibility linking remuneration to output, readjustment of the internal structure of agriculture and crop patterns, intensification of the buildup of mountain regions, efforts to develop economic diversification, the adaptation of general methods to local situations in the promotion of advanced scientific techniques, and the breaking of old conventions to take a new road in development of the collective economy. Statistics as of the end of September show that an overwhelming majority of production teams in the province have instituted various forms of a system of responsibility in which calculation of remuneration is linked to output. The potential for agricultural production has begun to come into play; the enthusiasm for production of the masses of commune members is at an all time high, and the avenues for curing poverty and becoming prosperous are becoming increasingly broad.

Industrial output has advanced in the midst of the readjustment of proportional relationships, state reduction in production plans, and inadequate quotas for some enterprises. Last year total industrial output value fulfilled in the province amounted to 21.2 billion yuan, a 3.8 percent increase over the previous year. This year as a result of the state's reduction from last year in plans for major products, plus the failure to take leadership work sufficiently vigorously in hand, the extent of decline in industrial production for January and February was fairly great. Thanks to actions taken, the situation gradually improved after March; September was the first time in which the situation of decline was reversed since the same month last year, and total output value increased 1.4 percent over the same month last year. For the period January to September, total industrial output value was still 3.7 percent lower than for the same period last year. This was attributable mostly to fairly great decline in heavy industry, the increase in light industry being unable to make up for the amount of decline in heavy industry. During this year, an increase has occurred in goods suitable for sale to fill needs, the quality of goods rising. Newly added goods numbered 1,167 kinds; two products were honored with state gold medals, and 10 products were honored with state silver medals. Energy conservation accomplishments were outstanding. Savings in coal, electric power and petroleum during the first half of the year overfulfilled state plan. While assuring fulfillment of production quotas for military goods, national defense industries tapped their unused potential to develop production of more than 110 different civilian goods. The total output value of light industry in the province as a ratio of industrial total output value rose from 41.6 percent in 1978 to 49.1 percent. Reorganization and integration of industry has shown initial results. The number of economically integrated units of various kinds has grown to 264, and integrated enterprises number 1,113. Since 1979, an accumulated total of 300 enterprises have been closed or suspended, and 522 have been merged or retooled. Throughout the province, 101 enterprises have undertaken expansion of pilot projects for enterprise self-determination; most enterprises have instituted different forms of systems of economic responsibility, and they are gradually



developing and improving them. In the course of readjustment, all jurisdictions have also gathered some good experiences and some advanced representative cases have also appeared. For example, the Provincial Metallurgy Bureau organized enterprises under its jurisdiction into an overall company to institute incremental increases in full responsibility for profits throughout the industry, increasing revenues for the state and earnings for the enterprises. The Chicheng County Chemical Fertilizer Plant set up a system of economic responsibility from the secretary and plant manager down to every individual cadre and worker, instituted fluctuating wages, and increased economic benefits. Qianxi County got rid of its Bureau of Industry, enterprises coming under direct control of the County Economic Committee, instituting contracting of full responsibility for profits, changing the overlapping of organizations, and the multiplicity of echelons for large increases in output value and profits. No 2 Construction Company in Handan City linked closely together political and ideological work and promotion of a system of economic responsibility to hasten the pace of construction and to assure project quality. These good experiences are in process of being gradually spread and implemented. New growth has occurred in transportation, and in posts and telecommunications. Virtually every county in the province is served by a petroleum pipeline and virtually every commune is served by a road. At the same time, active growth has taken place in sea transportation endeavors, ocean transportation between Qinhuangdao and Hong Kong having been opened. Posts and telecommunications units have restructured enterprises to tap potential and increase quality of communications. More newspapers and periodicals have been published and vocational earnings have increased. This year further cutbacks took place on the capital construction front on top of the cutbacks in capital construction investment of last year in a continued readjustment of the proportional relationship between the "bones" [capital construction] and the "meat" [housing]. This year's number of construction projects halted came to 140; the scale of planned investment at the beginning of the year being reduced 34.8 percent from last year, and the ratio of nonproductive investment rising from 1978's 16.5 percent to 48 percent. Great achievements were made in reconstruction work in the Tangshan earthquake disaster area. As of the end of September this year, the area of Tangshan in which construction had been completed amounted to 62.5 percent of the total. In the city, more than 66,000 households of residents have moved into new residences. This is 41 percent of the total number of households originally planned.

In finance and trade work there was conscientious carrying out of a program of "development of the economy to guarantee supply" to actively serve development of agricultural production and provide for the livelihood of the people. Public finance instituted a system of "division of earnings and expenditures with level by level assignment of responsibilities" and assignment of full responsibility for profits to arouse the enthusiasm of all echelons at all units to increase earnings and conserve on expenditures. Last year, financial revenues for the province overfulfilled plan, earnings offsetting expenditures with a surplus to spare. Financial revenues for the period January to September this year declined as compared with the same period last year; however, expenditures dropped while revenues and expenditures were in virtual balance. Bank liberalization of loan policies and cash management, withdrawal of currency from circulation and savings deposits in cities and the countryside increased over the same period last year. In trade there was preliminary reform of the forms of

procurement and marketing in supply and marketing, a reduction in the number of senseless business links, and active promotion of a system of business responsibility. Rural villages liberalized country fair trade and cities operated markets for agricultural byproducts. Some collective and individual businesses and service trades were revived and developed, and changes began to be made in the situation in state-owned businesses and individual family business. In the field of circulation of commodities, a diversified economic sector appeared as did diversified channels of circulation, and diversified business methods for an enlivening of the market, both buying and selling flourishing. Large-scale checks on prices, tax collections and financial and economic discipline were developed provincewide. There was an intensification of market controls, crack-downs on speculation and profiteering, substantial stabilization of prices, and enforcement of fiscal and economic discipline. Rather great development took place in foreign economic trade work. Last year the total value of state purchases for foreign trade and exports overfulfilled plan and a continued increase over last year is forecast for this year. New achievements were also won in the importation of technology, in the use of foreign trade, and in foreign economic assistance work. From a foundation of development of production, the people's livelihood improved. As a result of the readjustment of wages and institution of a system of bonuses for urban staff and workers, the incomes of most increased. New growth occurred in construction of urban housing, and the building of cultural facilities and commercial outlets. Both production and the people's livelihood in disaster stricken communes and brigades in rural areas throughout the province were satisfactorily looked after, and the sentiments of the masses are stable. Some poor brigades that have long been poverty stricken and backward are beginning to change. Peasant income has universally increased, and some "stand out households" whose labor has brought them prosperity have begun to appear. Between January and August this year, 184,400 people awaiting employment in the province were provided jobs. Taken together with the 325,000 people for whom jobs were provided last year, this means that most of those awaiting employment in the province have been placed.

In political and legal work the focus has been on assuring economic readjustment and political stability. To this end, education in the socialist legal system was strengthened and the masses were closely relied upon and aroused to carry out a concerted crackdown in a planned and prepared way against criminal elements. There has been investigation and breaking of big cases and important cases, the destruction of criminal gangs, the ferreting out of habitual criminals, of those who abet criminals, and gang leaders, active tracking down of criminals on the run, and the severe and rapid punishment according to law of serious criminal elements who have murdered, robbed, raped, set fires, and caused explosions, and criminal cases have begun to decline. At the same time problems were tackled in a comprehensive way to bring about an improvement in the social order of cities and countryside. Civil government and personnel offices conscientiously took in hand support for the armed forces and treating their dependents preferentially, social relief work and placement of demobilized military people returning to civilian life, making very good accomplishments. Policies relating to nationalities and religion are in process of being put into place; the legitimate rights of minority nationalities are protected, and religious beliefs are respected.

In scientific and technical work, adherence has been to an orientation in which science and technology serve production, the emphasis of attention going to applied and developmental research and the spread of new technologies. This year a total of 294 scientific research projects have been undertaken, the emphasis being on development of agriculture, conservation of energy, development and use of new energy resources, and on scientific topics relating to the light and textile industries and items needed in the people's daily lives. As of the end of September, 30 of the projects had been completed, and 20 of these had been evaluated as being of rather great significance for development of the national economy or as producing fairly remarkable results. More than one-fourth of the industrial and mining enterprises in the province have set up research organizations to strengthen the ranks of science and technology. In addition, scientific farming demonstration households have been set up in rural areas, and work in the signing of contracts linked to output that promote agricultural technology have given vigorous impetus to the promotion in application of scientific and technical accomplishments and to the popularization of science and technology. There has been further implementation of policies toward intellectuals, and conscientious taking in hand of the task of overall reform and evaluation of professional titles for scientists and technicians to arouse the enthusiasm of scientists and technicians.

In educational endeavors, reforms have been made in the structure of secondary education in order to meet the needs of national economic development. The content of junior middle school education has been readjusted, and new courses have been added in agricultural and professional middle schools. Specialized courses in technical schools of higher learning are in process of readjustment. Construction of major colleges, middle schools and primary schools has been increased. There has been widespread development of political ideology training activities; quality of education has improved, and school atmosphere and educational discipline has further developed in a healthy direction. In the field of literature and the arts, some fine literature, dramas, fine arts, painting and dance masterpieces have been produced that have been welcomed by the masses. Throughout the province have been built a group of commune culture stations and rural market town cultural centers, which have enlivened cultural work in cities and the countryside. New achievements have also been won in sports, news, broadcasting, publishing, television, motion pictures, and cultural relics.

In medical work as a result of the restructuring of city and countryside medical care and health organizations, improvements in the technical training of the medical corps, and the launching of a patriotic health campaign, medical treatment conditions and the sanitary situation in cities and the countryside have been further improved, the quality of service improved, and the frequency of outbreak of common illnesses, recurring illnesses and local illnesses has declined. Planned parenthood work has centered on advocacy of only one child per couple, and population planning and improvement in quality of birth control techniques have been given urgent implementation. As of the end of last year, couples in the province who registered as intending to have only a single child amounted to 78 percent of the total number of couples having only a single child. In 1980, the province's natural rate of population increase declined to 9.2 per thousand, only to rise again this year.



New development has occurred in dealing with foreign matters, tourism, and overseas Chinese work. Last year the province played host to 32,000 foreign guests, overseas Chinese, Chinese with foreign citizenship, fellow-countrymen from Hong Kong, Macao, and Taiwan, and international seamen from more than 80 countries, a more than twofold increase over 1976. During last year, 369 returning overseas Chinese were placed. This year has seen further development of work in the foreign field and with tourism. The two cities of Shijiazhuang and Qinhuangdao have become sister cities with Nagano and Toyama in Japan, and overseas Chinese policies are in process of being implemented.

Environmental protection work and civil air defense work have also seen quite a few new achievements.

All echelons of government have strengthened their work in the handling of correspondence and personal callers, conscientiously receiving and handling mail and personal visits from the masses to promote stability, unity, and development of work of all kinds. In addition they have taken care of 731 proposals deriving from the Second Session of the Fifth Provincial People's Congress of which they have taken care of 407 through implementation or substantial implementation. They are in process of handling implementation of 224, and have not yet implemented 100.

People's Liberation Army forces stationed in the province have continued to carry forward their revolutionary tradition, giving vigorous support to local activities. In helping in the struggle against disasters, in supporting maintenance of social order, in strengthening the building of the militia, and in doing a good job of military training, they have achieved remarkably. There has been further strengthening of unity between the military and the government and between the military and civilians in a cementing of military political, and military-civilian relations.

In short, during the past more than 1 year, all of the province's battlefronts have won new achievements. This has been the result of diligent implementation by the people of the entire province of the line, the programs, and the policies since the 3d Plenary Session of the 11th Party Central Committee; and it has been the result of the unified struggle, the surmounting of difficulties, the efforts to work, and the unstinting labor of the people in the province. We should steadily summarize experiences, carry forward achievements, and continue to advance.

Simultaneous with summarization of the aforestated achievements, we should also diligently analyze shortcomings and problems existing in our work, most important of which are the slow pace of development of industrial and agricultural production and the insufficiently ideal economic work. The speed of industrial growth has been lower than the national average for 3 years in a row, and this year's decline in production has not been completely reversed. The situation in fulfillment of financial revenues is not good enough. The gap between quantities of commodities supplied and the purchasing power of society has widened further. There are numerous problems in maintenance of social order. Among a minority of cadres unhealthy tendencies are serious, and there are varying degrees of shortcomings in work in other fields as well. Numerous reasons account

for the existence of the aforementioned problems. In terms of industrial and agricultural production, agriculture has sustained continued serious drought, and there are not enough production jobs to be done in industry. Requirements for major product plans handed down by the state at the beginning of the year amount to an 8 percent decline in real output value as compared with last year on the basis of comparable requirements. This year, funds for use in making improvements have been frozen for a long time; there is a shortage of energy; and some raw and processed materials are lacking. These are objective reasons. However, the main reasons still lie in problems in our guiding mentality and work. First, and most important is that we lack sufficient understanding of the damage done by leftist errors and the serious mistakes formerly made by the principle comrades in charge in Hebei Province. In addition, there has not been very vigorous criticism of leftism in the province, inadequate emancipation of the mentality, too much caution in work, not taking firmly in hand the bringing of order out of chaos and implementation of the various policy documents in the spirit of the 3d Plenary Session of the 11th Party Central Committee, which has led to the continued existence of some leftist errors. Readjustment, reform and restructuring have encountered very great obstacles and progress has not been fast. No basic reversal has taken place in the muddled situation in administration and management of enterprises. In the promotion of rural systems of responsibility for production, there is a situation of resistance to implementation or of letting things take their natural course. There has not been enough prompt summarization and promotion of good experiences that have occurred in readjustment and reform, etc. Second, there is inadequate appreciation of the arduous nature or complexities of readjustment and reform, and the relationships between readjustment and production and between readjustment and reform have not been handled well.

For a time, it was supposed that readjustment meant a lowering of the sights, and maintenance of a certain degree of development was ignored. Some reforms helpful to readjustment were not taken in hand, and the emphasis for development of production was not promptly converted from extension to intension. All this impaired the speed of industrial development. Of course, some of the new situations that arose in readjustment and reform we had not foreseen or had not accurately seen; however, even when problems were revealed, we did not investigate and study or diligently solve them. This lesson is a deep one. Third, economic work and ideological and political work were not well combined. Ideological and political work lacked strength, and there was a lack of education through criticism of some inaccurate conceptions. Necessary struggle against unhealthy trends and evil practices was lacking, and insufficient recognition and support was given to advanced persons. Between January and September this year, bonuses to staff and workers in the province have amounted to more than 40 million yuan more than during the same period last year, an increase of 42.2 percent, while total industrial output value and profits have declined from last year. This fully shows that political ideological work must be done in combination with economic work, and that material encouragements must be combined with spiritual incentives, the two being indispensable. Fourth, our leaders did not concentrate their main energies on economic work. Their workstyle was not sufficiently thoroughgoing, and new situations and new problems were not adequately investigated and studied. The roots of problems were not clarified, and problems were

not served in a sufficiently timely or vigorous fashion. Much work was laid out to do, but little of it was vigorously done. We are determined to learn these lessons, to truly shift the work focus to economic construction, and concentrate all strength on improving our province's national economy, doing a good job in all things.

## 2. Ideas and Actions for Next Year's Work

In 1982 further economic readjustment will continue to be done and a program to realize further political stability will be put into effect. There will be more thoroughgoing criticism of leftism, emancipation of thoughts, arousal of morale, seeking of truth in facts, and doing a solid job so that the national economy will maintain a definite speed of development, devoting efforts to the two great tasks of taking in hand the building of socialist materialist civilization and spiritual civilization. Our preliminary idea is that total output value of agriculture in 1982 will increase by about 4 percent over this year's, grain output amounting to more than 33 billion jin and cotton output reaching 600 million jin for overfulfillment, of the 4 percent growth over this year in total industrial output value or the possible winning of 5 percent; growth in light and textile industries will be more than 10 percent.

The aforestated requirements have been put forward when national economic development in Hebei Province this year has been slow with numerous shortcomings. The tasks will be arduous, and various difficulties may be encountered in the course of work. However, it must be realized that there are numerous favorable factors for the attainment of the aforestated quotas. Natural resources in the province are abundant, transportation is convenient, being close to Beijing and Tianjin, and natural conditions are good. Industry and agriculture have established a rather good foundation and the potential is great. We have also accumulated some experience in work. Most important of all is the guidance of the line, the programs, and the policies since the 3d Plenary Session of the 11th Party Central Committee, particularly the help given us following the Central Committee supported Hebei Work Conference in drawing clear distinctions concerning cardinal issues of right and wrong, and in increasing unity. The province's work has consequently begun a new departure; the broad masses of cadres and people urgently demand a change to the situation of backwardness in work; everyone's zeal has been raised; and they are resolutely trying hard to catch up. We believe that with the unanimous unity of the people of the entire province and efforts in work, it will certainly be possible to triumph over adversities and attain the goal of our struggles. In order to realize the aforestated tasks, serious attention should be given work in the following several areas:

### (1) Concurrent With Attention to Grain Production, Vigorous Development of Economic Diversification and Hastening of the Pace of Agricultural Development

We must continue to implement the program of "positively no relaxation in grain production and active development of economic diversification," further readjustment of agricultural crop patterns, active promotion of science and technology, and basing ourselves on fight against disasters to win bumper harvests. In grain production, areas must be suitably readjusted downward with main efforts being directed toward per unit yields so as to assure steady increases in total



output. Full advantage should be taken of the advantages the province possesses to make active development of cotton production a strategic decision. Next year, the province's cotton fields will be enlarged to about 11 million mu, yields of about somewhat more than 60 jin per mu being obtained. There is to be continued implementation of the policy of award sales of grain for cotton production to solve the problem of grain rations for cotton farmers. There will be improvement in cotton field production conditions, popularization of superior varieties, and doing a good job of purification and rejuvenation to improve cotton technology levels. In cotton growing areas, attention must be given both to the growing of grain and cotton, the emphasis to go to cotton so as to realize bumper harvests in both grain and cotton.

In order to promote development of economic diversification, beginning next year, each county will institute assignment of work responsibility for grain and oil bearing crop procurement, marketing, and readjustment. So long as they assure fulfillment of state grain responsibility quotas and self-sufficiency in grain rations, production teams have authority to readjust crop patterns, and adapt general methods to local situations to develop farming, livestock raising and fish hatching industries, and processing of agricultural byproducts for all-around development of agriculture, forestry, animal husbandry, livestock raising, and fisheries. There should be further development of household economic diversification. All economically diversified jobs suitable for doing by commune members should be turned over to commune members to do. Attention should be given to expansion of private plots that should be expanded, and the turning over to commune members of privately retained mountains, plus conscientious work in the issuance of precise certificates of rights to those forests, and active contracting to peasants of sandy wastes, barren slopes, and dispersed useless bits of land scattered at the edges of villages.

From a foundation of summarizing the lessons of experience, there should be further attention given capital construction of agriculture. There should be active launching of mass tree planting campaigns for afforestation, efforts to expand the forest cover area, and a good job of soil and water conservation to make the most of the overall benefits of forests in the ecological balance. There should be continued good work in afforestation and the planting of grass in networks around farm fields and beside rivers, beside ditches, beside roads, beside villages, on barren slopes and in sandy wastes. In addition, shelter forest work is to be taken in hand and wanton felling of trees and denudation decisively halted. In water conservancy construction, the emphasis must be placed on management of projects to make the most of existing projects for irrigation, for the prevention of floods, to eliminate waterlogging, and to control alkalinity. In addition, there should be adaptation of general methods to local situations to do a good job of capital construction of small farmlands.

There is need for further strengthening of construction in mountain regions, to make the most of advantages mountain regions possess, with earnest efforts in afforestation and the planting of grass to try to develop the livestock raising industry and the production of various native products. All units concerned must give material, human, financial, and technical support to mountain areas and old liberated areas for development of production, and help them to solve

real difficulties involving potable water, transportation, electrification, medical care and education to change their backward situation with all possible speed.

We must popularize and improve, in all-around ways under a uniform system of management, various systems of responsibility linking calculation of remuneration to output. This fall and next spring, after summarizing experiences, we must genuinely strengthen leadership and diligently solve problems of reluctance to act and throwing up the hands and not caring. We must act in accordance with the will of the masses for universal establishment of various forms of a system of responsibility in agricultural production, steadily summarize new experiences, and study and solve new problems that arise so that various forms of a system of responsibility will be steadily improved. In addition, we must do a good job in priority relief work to the dependents of martyrs and the armed forces, the households enjoying the five guarantees [childless and inform old persons whom people's communes guarantee food, clothing, medical care, housing, and burial expenses], and households suffering hardships. In production and water conservancy for forests, livestock, raising, sideline occupations, and the fishing industry, and in management of the use of farm machines, whenever unified administration is possible, the collective should organize various specialized corps, specialized teams, specialized households, or specialized personnel, linking their remuneration to output and output value. Things that are suited to operation by individual commune members should be contracted to individual commune members. Emphasis should be given adherence to a collective orientation with attention to protection of collective property. There should be active institution of systems of personal responsibility for cadres in rural communes and brigades, and for farm technicians in a system that links remuneration to output.

## (2) Vigorous Development of Consumer Goods Production To Satisfy the Increasing Needs of the People in Their Material and Cultural Life

Next year will see continued readjustment of the internal composition of industry with corresponding growth of heavy industry (excluding petroleum), and planned development of the coal, electric power, communications, and transportation industries. Efforts will be made for rather great growth in the light and textile industries. It is particularly necessary to further emancipate mentality, break through conventions, widen horizons, look toward consumers and look toward the vast rural market for great increases in production of consumer goods. This is a major action in making the economic structure equitable and for winning rather good economic benefits. The main focus of attention should be on the eight major industries of daily necessities, textiles, building materials, foods, chemicals, cultural items, the means of agricultural production, and maintenance and repair services. First to be given attention should be major consumption items such as bicycles, sewing machines, watches and clocks, clothing, shoes and hats, furs and leather goods, knitgoods, textile printing and dyeing, television sets, radios, and foods. Under unified planning and a combination of central and local authority to provide overall balance in which the local plays the major part, production should be organized. Disbursements of public funds, bank loans and funds for use in technology should be given priority use in providing for the production of consumer goods. Heavy industrial enterprises should actively provide technology, equipment and materials for development of

consumer goods production. Enterprises that have had no production assignments for a long time should make up their minds to convert to production of consumer goods, using existing plant buildings, equipment, and techniques to open new avenues of production. The materials fuel, and power required to develop production of consumer goods may be provided for by planning units and supplied as a matter of priority. Doing a good job in the building of raw materials bases has to be raised to an important position. A good job has to be done in the reconditioning and replacement of products. In the case of certain antiquated products, earliest possible changes should be effected in product structure and the composition of raw materials in response to changes in the market condition to upgrade their quality so as to increase the competitiveness of products. Given the new characteristics of agricultural production, efforts should go into production of farm pesticides of high effectiveness and low toxicity, into small farm tools, and such diverse means of production. Attention should be given development of production of small commodities to satisfy the needs of the masses. By way of encouraging the enthusiasm of enterprises to produce them, suitable readjustments may be made in ex-factory prices for some products so that both industry and business benefit.

### (3) A Good Job of Renewal of Equipment and Improvement in Techniques To Increase Economic Effectiveness

Development of industrial production depends primarily on existing enterprises tapping potential and improving techniques intensively, efforts centering on the conservation of energy, improving product quality, decreasing consumption of raw materials, increasing designs, colors, and varieties, and renewing equipment and making technical improvements. All channels for funds must be equitably used, and attention should go particularly to spending a small amount of money to obtain rapid results, linking this to industrial reorganization and integration of enterprises. The tapping of potential and making of technical improvements of enterprises should be done first in 651 technical improvement projects under construction so that they go into production in accordance with plan while preparing for next year's work. The emphasis of next year's technical improvements will be on conservation of energy, and improvement of antiquated equipment of low efficiency, the focus being on 27 projects in which an estimated 450,000 tons of coal can be saved, 160 million kilowatt hours of electricity can be conserved, and 5,000 tons of oil can be saved. Second is doing a good job on 60 projects for technological improvement in light industry, the textile industry, and the food industry from which an increase of about 1 billion yuan in output value has been predicted. Third is planned technological improvement in the steel and building materials industries, increasing output of small steel manufactures, glass, and construction materials.

Genuine efforts should be made to restructure enterprises. Particularly necessary is the restructuring of leadership teams to eliminate from the teams four kinds of people and three kinds of people to assure the ideological, organizational, and political purity of teams, thereby making them into teams that are able to struggle to assure unity in implementation of the Central Committee line and programs. There is need to improve administration and management, to actively promote all-around economic accounting, all-around quality control and training of all personnel, and further perfection of various systems of personal responsibility so that responsibilities, rights and benefits are part of a unified whole.



The system of democratic management has to be established and perfected, full use made of the role of meetings of staff and worker delegates, and reliance on [character illegible] staff and employees to do a good job of production and run enterprises well. Next year will continue concentration of attention on the restructuring of 350 major enterprises, a good job of inspection and examination before acceptance of goods, those not meeting specifications to be replaced. Plans for next year call for a 30 percent reversal of losses, and lowering of costs by 20 percent. Commune and brigade industrial enterprises should also give attention to restructuring and development.

#### (4) Close Attention to Industrial Reorganization, to Integration and Systems Reform

The present situation of regional division within industries, conflicts between central and local authorities, and diffuse management seriously impairs making the most of the economic benefits from enterprises and use of resources. In order to change this situation, it is necessary to take the path of reorganization and integration. Reorganization and integration requires that departmental and regional division lines be broken down, and one by one, group by group reorganizing and integrating a group of industries that make a major product. Integration requires pursuit of economic benefits and equitable use of resources. On the basis of the principle of voluntary participation and mutual benefit in economic benefits and with no reduction in local fiscal revenues, cooperative contracts should be drawn for economic integration with no administrative integration. There can be no halting of enterprises or taking away of rights once integration has been effected; the independence of integrated units must be maintained. There can be integration between cities and countryside or integration that transcends provinces, regions, industries or systems. Integrated units can put into effect production, supply, and marketing in "three unified entities," or they can put into effect a system of production, supply, marketing, human resources, financial resources, and material resources in a system of "six unified entities." Alternatively, diversified forms of long and short term contracts may be adopted, one or the other being used as requirements dictate with no adherence to a single pattern. All raw materials for use in production within an integrated enterprise will be allocated and supplied directly. First and second category materials or principal agricultural byproduct raw materials provided by the state should, in principle, be directly supplied to the integrated unit or to the department in charge of the integrated unit. Subject to approval of the people's government at all levels, the individual constituent parts of products from specialized production companies or main plants that institute unified accounting may have an added value tax imposed in accordance with Department of Finance regulations. In the transfer of fixed assets within integrated units, allocation and transfer with compensation, lending, or payments in installments may be used when transfers are between enterprises owned by all the people and collective enterprises. In transfers between one enterprise owned by all the people and another enterprise owned by all the people, subject to approval by units in charge, accounting transfers can solve the problem. Priority arrangements should be made for funds needed by integrated units and for supply materials needed to support key ones. In all processing industries in which agricultural byproducts are used as raw materials, where conditions permit they should form a direct connection with the areas that produce the raw or processed materials to organize an integration of industry and agriculture.

In the reform of the industrial system, there should be continued consolidation and improvement and expansion of pilot projects for self-determination in enterprises, and the use of pilot projects using payment of taxes to substitute for payment of profits. Reform of county operated industrial systems should diligently promote the experiences of Qianxi County in eliminating various bureaus in industry to have economic commissions directly control enterprises. By next year, one-third or more of all prefectures should have adapted general methods to local situations to make use of these experiences. There must be vigorous development of collective enterprises and active support given individual businesses, insuring that collective enterprises have full self-determination, and that after tax profits of enterprises will be no less than between 70 to 80 percent. Solution is to be found to policy problems for enterprises and individual businesses in business management, materials supply, and tax collections.

#### (5) Further Promotion of Systems of Economic Responsibility

The objective in instituting systems of economic responsibility is to surmount the maladies of "eating out of a large common pot," and egalitarianism, to arouse the enthusiasm of enterprises and of staff and workers, to improve administration and management, and to increase economic benefits. All units in the industrial, construction, communications, finance and trade system must unswervingly carry on the implementation of such systems, have a firm attitude, take steady steps, use many forms, promptly summarize experiences and gradually perfect and improve them. In the implementation of assignment of responsibility for incremental increases in profits with economic bureaus (or companies) and with enterprises, sensible base figures for assignment of responsibility and proportional divisions should be set that take account of the welfare of the state, of enterprises, and of individuals. At the present time, emphasis should go to promotion by enterprises of systems of economic responsibility for their staff and workers. All enterprises should arouse the masses to set advanced production quotas and equitable piecework, timework, or portionwork unit prices, and to formulate systems of personal responsibility that link profits and output, consumption, and safety in various forms of a system of responsibility to assure that the state gets more in revenues, enterprises retain more, and staff and workers get more. Specific forms and methods must be based on prevailing realities in an adaptation of general methods to local situations. There should be no arbitrary uniformity or rushing headlong into mass action. Special attention has to be given study and solution of new problems that arise; equitable and advanced quotas must be instituted; there can be no decline in quality of products; and costs definitely cannot be increased. It is also necessary to guard against the practice of some enterprises of not caring about the state plan in a onesided seeking after profits, divorcing production from the needs of society, or even shifting responsibility to others. Earnings of staff and workers should increase steadily, but the amounts individuals get should not be increased too much. Attention has to be given to looking ahead as well as behind, to looking after neighbors on the left and the house on the right with enterprises retaining a little more for use in times of adversity. In formulating a system of individual responsibility, a system of rewards and penalties for staff and workers on the front line of production, for staff and workers in second line management units, and for third line service staff and workers (such as in messhalls and kindergartens) should be formulated so as to arouse the enthusiasm of the whole

body of staff and workers to work together singlemindedly and strive to do a good job of production. Institution of a system of economic responsibility should be closely linked with restructuring of enterprises, efforts placed on improvement in administration and management, and a good job done of ideological and political work so that material encouragements and spiritual encouragements mutually reinforce each other. Institutions in which conditions permit organization of income should institute systems of economic responsibility and gradually change to enterprise management, thoroughly changing the situation in institutions of "eating out of a large common pot," and increasing work efficiency and quality of service.

(6) Doing a Good Job in Capital Construction and Readjusting the Orientation of Investment

In the controlled quotas for capital construction in Hebei Province handed down by the state for next year, investment in large or medium size projects directly subordinate to or directly supplied by ministries of the central government will be 815 million yuan, of which the investment in projects in government ministry and commercial sectors will be 7 million yuan. The state controlled amount of investment in local projects planned as a whole is 724 million yuan of which the investment within the national budget is 124 million yuan, and of which 200 million yuan is investment by the local jurisdictions themselves. Investment in reconstruction of the Tangshan earthquake disaster area is 400 million yuan. Investment in the budget and investment for reconstruction of the earthquake disaster area are maintained at this year's level, and investment provided by local jurisdictions is slightly larger than the amount planned at the beginning of this year. In the locally funded projects, the emphasis is on research, on cultural and education, and on health, and on the building of housing for staff and workers. Work must be done with adherence to capital construction priorities and construction priorities, and projects outside of plan will not be permitted. There should be active promotion of the experiences of the Handan Municipal No 2 Construction Company's close linking of economic work and political work to hasten the pace of capital construction while assuring quality. A genuinely good job must be done of planning, management and environmental protection work in municipal construction with adoption of vigorous measures to control environmental pollution, and attention being given to doing a good job of constructing small cities and towns. All cities and enterprises must conscientiously take in hand sensible development and use of water conservancy resources, formulate specific measures in the same way as was done for the conservation of energy, and do a good job of conserving use of water. This is a problem that becomes more serious with each passing day, and one that must be taken in hand. Production of construction materials must be well organized, and particularly necessary is doing a good job of the production of construction materials suited to rural needs. At the present time, problems are fairly numerous in capital construction below the county level, and attention must be given to planning and design work for county, town, and rural village capital construction. Takeovers of land for construction must be strictly controlled and conservation practiced in the use of land. Good land, in particular, should not be taken over or else only small amounts taken over for construction.



(7) Attention to Public Revenues and Support for Development of Production

Problems in public finance affect the entire situation. Attention should be given the work of the last 2 months of this year in an effort to fulfill revenue quotas for the entire year. As production develops, a commensurate increase should occur in next year's fiscal revenues. Public fund and financial units at all levels should emancipate their mentalities, understand production, and cater to the needs of production. They should strive to realize increased output and increased revenues and keep income and expenditures in balance with some surplus. The emphasis of work should fall on managing and using funds well for active support of the development of industrial and agricultural production. "If one wants to take, it is necessary to give first." Ninety percent of energies should be devoted to equitable uses of funds to support development of production after which 10 percent of energies should be used in making profits and tax revenues. In this way, by giving a little to enterprises, state financial revenues will benefit a lot. At the same time guidance should be given enterprises in use of their own funds. Further improvements should be made in the public funds system, and various forms of methods for assigning fiscal responsibility should continue to be implemented to arouse the enthusiasm of enterprises and units. Strict control should be exercised over all expenditures, strict economy practiced, and waste opposed to improve effectiveness from use of funds. In giving support to agriculture or to industry from public funds, whenever it is possible to give support that will be paid back, the methods used for circulating capital should be used. Tax revenue and banking work should be strengthened to make fullest advantage of their economic leverage. Checking on tax cheating, tax evasion, and the owing of taxes should continue to receive attention for further enforcement of economic discipline, the closing of all loopholes, and diligent correction of all unhealthy tendencies in the economic field. Bonuses to staff and workers should be issued strictly in accordance with the relevant notice from the State Council, and there can be no breaking of the guidelines prescribed by the state.

(8) Linking of Diverse Channels of Circulation; Hastening the Turnover of Funds; Advancing Development of Production; and Enlivening City and Country Trade

Commercial units must cooperate with industrial units for correct handling of the relationship between production and marketing, vigorously increasing production of goods for which ready markets can be found, so that products reach the hands of consumers with all possible speed to effectively hasten the turnover of funds, promote development of production, and satisfy, to the maximum extent possible, the needs of production and life of the people. In the realm of hastening turnover of funds, efforts are to be made next year for one additional turnover of funds throughout the province. In the satisfaction of people's needs, while satisfying the needs of urban people, every effort should be made to satisfy the needs of rural people. Particularly requiring study is new situations to be met in rural villages that have arisen following institution of systems of responsibility to do a good job of procurement of products and supply of commodities. There should be vigorous promotion of a contract system for production, procurement, supply, and marketing between agriculture and business, the better to link production, supply, procurement and sales

promotion. For grain and edible oils there will be continued implementation of uniform procurement and uniform marketing. For second category agricultural byproducts there can be a suitable reduction in requisition procurement varieties, leaving some leeway for peasants. All uniformly procured, uniformly marketed, and requisition procurement products that peasants offer for sale should be actively purchased with no halt in purchases or limitations on purchases. First and second category goods and third category agricultural byproducts remaining after communes and brigades have fulfilled requisition procurement quotas should be purchased and marketed at negotiated prices by commercial and grain units. In diligent implementation of the four kinds of procurement and supply set by the State Council, industrial units will allot in accordance with plan, and commercial units will actively and balancedly procure. Both industry and commerce must strictly carry out production and marketing contracts. Positively no tearing up of contracts by either party will be allowed. Relevant units will do a good job of issuing certificates of inspection and certificates of authentication to protect fulfillment of all economic contracts. The method of distributing industrial goods is to be reformed, most of the increase in industrial goods suited to needs being provided to rural villages, distribution being done in accordance with the size of the contribution of agricultural byproducts sold and increase in purchasing power. Advantage is to be taken of the role of diverse forms of goods circulation such as trade warehouses, trust transactions, and exchange of commodities, and distant avenues for native products and other commodities should be actively opened as well to expand business and enliven the economy. There should be vigorous development of collective business and individual businesses, the division into districts being broken down with flow organized according to economic zones. There is to be continued stability in prices with implementation of a program of "no large movements but only small adjustments," the prices of major raw and processed materials and basic consumption items being maintained stable prices of goods generally rising or falling according to jiacha fengong [0305 2617 0433 1562], policies of seasonal price variations and price variations for superior quality being carried out. There is to be a strengthening of market management and a crackdown on profiteering and speculative activities. Next year's foreign trade procurement plans call for 1.63 billion yuan of goods and export plans call for export of \$700 million worth of goods. To the maximum extent possible, China's abundant workforce should be used for vigorous development of production of export goods, for doing a good job in the processing of goods brought into the country from elsewhere, for compensatory trade, and in the use of foreign capital. Special industrial plants and special workshops for export industrial goods and production bases for agricultural byproducts exports should actively but in a step-by-step process be set up. All trades and industries must support production for export. For the staples of traditional exports, production, supply, and marketing for foreign trade should be gradually organized in a continuous process, or else there should be joint industrial and trade or joint agricultural and trade ventures to expand the export business.

#### (9) Development of Science and Technology in an Effort To Serve Economic Construction

The emphasis of scientific and technical work should fall on solution to crucial problems existing presently in the build up of production, on intensification of the promotion and application of technology, and on making the results of scientific research being translated, as quickly as possible, directly into

productivity. First of all, it is necessary to make full use of the results already obtained and the advanced techniques suitable for use to produce economic results rapidly. Scientific and technical development planning requires emphasis on the present with concern for the long range as well. Choice of projects must be done in accordance with realities in the province, making major projects of those whose economic advantages are greatest. In the field of agriculture, emphasis should be given research on bumper output varieties and farming techniques for wheat, cotton, and corn, and on comprehensive control in the Taihang mountain region and the Heilonggang region. In the industrial realm, the focus should be on increased output, improved quality, development of color, styles, and designs, the lowering of waste and costs, and research on technology for light industry and textiles, electronics, energy conservation, and raw and processed materials. A good job should be done in research and application of microprocessing machine techniques. For all major construction projects, importations of technology and technological improvement projects, specialists should be organized to conduct technical and economic certification so as to reduce mistakes. All categories of technical units shall conclude contracts of various kinds with production units and strive to increase earnings and develop research endeavors. Duplicatory research organizations should be readjusted and combined, and specialized research and mass research activities should be combined, with a good job being done in establishing technical reserves. In addition, attention must be given the popularization of scientific and technical knowledge in agriculture. In the case of major new technologies, compensation should be paid for transfer. There must be further implementation of policies pertaining to intellectuals to change with all possible speed the passive situation in Hebei Province of a lack of scientific research leaders. While doing a good job in evaluation of professional positions and making promotions of high and middle level scientists and technicians, attention must be given training of existing scientists and technicians to improve them. Those who produce special inventions or creations must be given special rewards. To the maximum extent possible, work conditions of scientists and technicians must be improved.

(10) Doing a Good Job in Maintenance of Public Order To Assure a Normal Progression in Production and Work

At the heart of political and legal work is the restructuring of social order in cities and the countryside and the guaranteeing of political and production stability, with severe crackdowns on the destructive activities of counter-revolutionaries and criminal elements. The focus of crackdowns is on an extremely small number of murders, robbers, rapists, arsonists, bombers, and other criminal elements who seriously damage social order. Facts should be accurate, proof solid, and matters handled strictly in accordance with laws. For a further overall cure, stop gap measures should be combined with measures for a permanent cure, efforts going to effecting a permanent cure. Good jobs should be done on propaganda and education about discipline and law to improve the consciousness of the broad masses of cadres and people for respecting discipline and upholding the law. Systems of responsibility for public order should be established, every plant, mine, enterprise, rural commune and brigade, government organization, and school making public order work a component on which the unit's work is graded. There should be gradual achievement of plants having



plant regulations, schools having school regulations, rural communes and brigades having "commune regulations and civilian restraints," with reliance on and arousal of the masses to do a good job in maintenance of urban and countryside public order. Those who make slight infractions of the law should be subject to social pressures and education, persuasion, and rescue to guard against the commission of crimes so that social order will make a turn for the better. There should be further strengthening of urban street and rural commune and brigade mediation committee work to solve at the grassroots level a large number of the contradictions among the people. Public security organizations at all levels should cooperate with procuratorates and the courts to conscientiously take in hand disposition of economic cases. There is need to strengthen the restructuring and building of public security and legal ranks to improve them politically and professionally.

#### (11) Efforts To Develop Educational, Cultural, and Health Endeavors

In education work, a program of moral, intellectual, and physical development continues to be pursued to improve the quality of education. Universities should properly readjust specialties to make teaching the main focus in a combination of teaching and research. They should actively reform the structure of education, restructure and improve junior middle schools, readjust senior middle schools in a controlled way, and develop in a planned fashion vocational middle schools and agricultural middle schools. There is need for substantial strengthening of primary schools, with attention being given to solving new problems that have arisen in primary school work, problems such as dangerous school buildings and open-air classes being solved. There should be vigorous development of after hours, correspondence course, radio broadcast, television and peasant after hours cultural and technical education. Attention should be given the training of teachers to improve quality of education. Work for the eradication of illiteracy should be strengthened. All categories of schools at all levels should carry forward a spirit of hardwork and thrift in running schools to do a larger amount of things using a relatively small investment, training more qualified personnel for all trades and industries. Cultural work should diligently adhere to four basic principles, carrying out a program of "let a hundred flowers blossom, let a hundred schools of thought contend," opposition to capitalist liberalist tendencies, service first to workers, peasants and soldiers in serving the broad masses of people, and service to the building of the four modernizations, enthusiastically eulogizing the new socialist man and the builders of the four modernizations. At the same time there should be active organization of mass cultural and artistic activities, continued thoroughgoing and widespread development of a patriotic health campaign, and strengthening of the prevention and control of local illnesses, common illnesses, and many outbreaks of illnesses. There should be attention given the restructuring and building of medical treatment and health organizations in cities and the countryside, improvements in the service attitude, and improvements in levels of medical treatment. A program of conscientious implementation of a combination of Chinese and western medicine should be followed in a continuation and a carrying forward of the medical heritage of the motherland. Gynecological and pediatric health care and government control over drugs should be given attention. Mass physical activities should be actively developed.



## (12) Further Efforts in Planned Birth Work To Control Population Growth

In 1982, the task of controlling population growth is an extremely formidable one. It is essential that propaganda and education work be done well, and that the real situation of another impending great high mark in births for China's large and rapidly growing population be explained to the broad masses of cadres and people so that through the use of various methods of conducting patient and meticulous propaganda and education, everyone will come to realize that control of population growth is a strategic task, and so that they will consciously obey regulations and carry out planned births. It is necessary to continue to carry out a policy of rewards for couples who have only one child, limit births to two, and firmly forbid three births. In addition to instituting systems of responsibility for production, rural communes and production brigades should institute systems of responsibility for population growth, establishing "double guarantee contracts" for production and propagation. They should strengthen the education of youths in late marriage and late child bearing. Health and medical treatment units at all levels should diligently launch birth control measures and census work. All units at all levels should actively support comrades engaged in planned parenthood work, helping them solve difficulties and problems they encounter in their work.

### 3. Strengthening of Leadership and Improving Workstyle

The key to rapid improvement in the national economy of the province and in other work lies in genuine strengthening of leadership and conscientious improvement of workstyle in the spirit of the 6th Plenary Session of the 11th Party Central Committee, giving thoroughgoing attention to real problems, breaking conventions to clear new roads, and doing a solid job of handling matters. In order to do this, emphasis should go to the following several points:

(1) Close contact with reality and thoroughgoing criticism of leftism. The experience of more than a year have shown that unless there is conscientious contact with reality in the elimination of the influence of leftist errors, it is very difficult to improve economic work or other kinds of work. The principal comrades formerly in charge in the province carried out a whole series of leftist things during the "Great Cultural Revolution" and more grievously, they have maintained an attitude of apathy and resentment towards the spirit of the Party's Third Plenary Session for a long time. Through Central Committee leadership comrades have many times conducted patient education, criticism, and given help, they still lack consciousness, and are unwilling to reform, causing serious losses to work in the province. Government at all levels should, under the unified leadership and disposition of CCP committees, organize the broad masses of cadres and people for diligent study and implementation of the spirit of the Sixth Plenary Session and of the Hebei Work Conference. They should link this to the errors made by the former principal comrades in charge in the province, thoroughly expunge the erroneous influence of leftism that has been present among cadres for a long time. The mentality and actions of the broad masses of cadres and people should be unified in the spirit of the Sixth Plenary Session, political unanimity with the Central Committee resolutely and completely maintained, support given and reliance placed in the CCP Central Committee, the authority of the CCP Committee supported, the line, programs, and policies since

the Third Plenary Session unswervingly carried out, and energies concentrated on improving the national economy and doing all work well.

(2) Overcoming bureaucratism and improving work performance. In government work at all levels today there exist problems with laxity and flabbiness, negligence, shirking of responsibilities and arguments over trifles, and not doing one's duty that seriously hurts work. The best way to change this situation is to probe realities and forge close links with the masses, solving problems on the spot. First, principal leadership cadres at all levels of government and in all departments should annually devote a substantial amount of time to going down to the grassroots to investigate and study, personally getting involved, studying new situations, solving new problems, summarizing and promoting new experiences, and strengthening concrete leadership. Work should be laid out with regard for all factors concerned, attention focused on the important points. Second is diligent support for a system that combines collective leadership and responsibility for division of labor, all members of the leadership daring to be responsible for their apportioned work, and actively and courageously dealing with problems. Matters discussed and decided collectively should be vigorously implemented, results sought after, and matters handled well. Third, in discussing and deciding major problems, all levels of government and all departments should give attention to widespread hearing of the views of cadres, the masses, and specialists, painstakingly collecting and digesting pertinent data, improving consciousness, and reducing blindness. Fourth, a rigorous system of asking for instructions beforehand and submitting reports afterward. When lower echelons of government request instructions of upper echelons of government or from upper echelon departments in charge, the upper echelon organizations should rigorously, conscientiously, promptly, and responsibly make reply, resolutely overcoming sluggish workstyle and improving efficiency in handling matters. Fifth is streamlining of duplicatory administrative organizations. At all levels of government today, there is overlapping of organizations, numerous layers, and an ambiguous division of labor in subordinate units. Responsibilities are not clear and work efficiency is low; leaders at all levels should resolutely change this state of affairs. The provincial government is in process of studying the formulation of a program to readjust the make-up of units and organizations subordinate to the province. At the same time, efforts should be made to simplify conferences and documents, and to cut red tape. Sixth, all levels of government should fully carry forward democracy, link closely with the masses, consciously accept supervision from the masses, humbly listen to the views of the masses, conscientiously improve their work, and serve the people heart and soul. They should take the lead in handling matters in accordance with the "Regulations," resolutely correcting unhealthy tendencies. They should conscientiously answer letters from the masses and hear out the masses when they make personal calls. All departments of the provincial government should act first on the several points given above to act as models.

(3) Heightening conceptions of the overall situation, and strengthening of collective unified leadership. All possible speed in improving the national economy is for the fundamental welfare of the people of the entire country. All echelons and all units should use this overall situation as their point of departure in making plans, thinking about problems, and taking action on matters.

It is feasible to look at the partial situation in some matters; however, when it is not feasible to look at matters in terms of the overall situation, the partial situation must be subordinate to the overall situation. One positively cannot simply stress the welfare of one's own unit while hurting the welfare of the country and of the people. Anything that helps readjustment, helps the development of production, or helps enliven the economy must be bravely shouldered by all units, cooperative action taken, and matters actively done.

All programs, policies, and major actions decided by the CCP Central Committee, the State Council and the province must be resolutely put into practice. There must be obedience to unified leadership with no one doing things in his own way or foot dragging. When problems that have been aired or collectively studied and decided, further opposition and failure to act will not be tolerated.

(4) Genuinely and effectively strengthening ideological and political work. Ideological and political work is the lifeline of economic work and of all other work. This is particularly so during the period of economic readjustment. All levels of leadership must put ideological and political work in an important position, and dare to take hold of ideological and political work, diligently overcoming a situation of laxness and flabbiness in ideological leadership. They must adhere to the four cardinal principles, and they must sternly criticize and carry out necessary struggle against anything that departs from the socialist road, is divorced from the leadership of the party, or practices bourgeois liberal social thought. They must strengthen communist morality and education in respect for discipline and obedience to the law, so that the broad masses of cadres and people will establish and build high aims and lofty aspirations, and be models of obedience to national laws ordinances and regulations. Adherence to political and ideological work in combination with economic work should go along together. Economic work cannot be divorced from politics if blindness is to be avoided. Political work cannot be divorced from economics if armchair politics are to be avoided. Attention must be given concern for the livelihood of the masses, satisfactory solution to the real problems of the masses having food to eat, clothes to wear, houses to live in, and their illnesses cured, their apprehensions eliminated, their enthusiasm for production aroused, and contributions of strength made to the building of the four modernizations.

Two months remain in this year. We have a lot of work of all kinds to do, and industrial production tasks are particularly great. We are determined to make the most of opportunities, to redouble efforts, to do a good job, and to use every possible means to improve industrial production and do a good job in all work. At the same time, ideologically, in laying out work, in planning and acting in production, in the supply of raw and processed materials, in making satisfactory arrangements for the masses livelihood, we must make early preparations for next year to insure that a good beginning will be made as soon as the new year opens.

Delegates, we are now in an era of resurgence. The tasks before us are formidable. But under the leadership of the CCP Central Committee and the State Council, so long as the people of the province conscientiously carry out the spirit of the Third Plenary Session and the Sixth Plenary Session, are unanimously united,

are of one heart and one mind, and rouse themselves to make efforts, the national economy and all the work in this province can certainly be improved.

Let all the people of the province unite and strive to build China into a modern, highly democratic, highly cultured socialist power.

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## MINERAL RESOURCES

### BRIEFS

**NEW SERPENTINE MINE**--The writer has learned from the Provincial Geology Bureau that the Provincial Geology Bureau's Sixth Geology Team recently verified a large serpentine mine in Donghai County. The mine contains reserve amounting to 160 million tons. The ore in this serpentine mine makes a rather ideal raw material for metallurgical flux and as a blending ingredient for agricultural chemical fertilizer. This large verified ore bed has a very simple ore body configuration and good quality ore. Ore grade is consistent and the content of harmful materials is low. The ore body lies not very deep below the surface, and this plus the convenience of local transportation makes it suitable for large scale open pit mining. [Text] [Nanjing XINHUA RIBAO in Chinese 27 Oct 81 p 1] 9432

**COAL QUOTAS FULFILLED**--As of 16 November, Shandong Province's coal mines had overfulfilled 45 days ahead of schedule the entire year's production plan for 8.6 million tons of raw coal, output of raw coal exceeding plan by more than 27,000 tons. All year long, the province's coal mines have diligently carried out the spirit of the national coal work conference and the national regional coal mine work conference, have emphasized safety and quality and have focused on the building of production, and have readjusted digging relationships, established an perfected various forms of a system of economic responsibility, realized increased output while practicing conservation, have increased earnings and cut back on expenditures, and produced safely. As of the present time, coalmines in 17 prefectures and provinces including Zaozhuang, Zibo, and Huimin have overfulfilled their raw coal production plans for the entire year. The prefecture and city of Taian and Zibo, and 19 prefectural and county coal mines have overfulfilled planned tunneling footage for the entire year. Output of raw coal, tunneling footage, and the amount of area opened at the Linyi Prefecture coalmine all overfulfilled state plan ahead of schedule. [Text] [Jinan DAZHONG RIBAO in Chinese 23 Nov 81 p 1] 9432

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## FOREIGN TRADE

### FOREIGN COOPERATION BEGUN FOR TECHNICAL SKILLS, FOREIGN EXCHANGE

Xian SHAANXI RIBAO in Chinese 22 Nov 81 p 1

[Article by Correspondent Zhou Chenqing [0719 2182 3237]: "Province Actively Launches Foreign Economic and Technical Cooperation"]

[Text] The correspondent recently learned from provincial economic units that since the Third Plenary Session of the 11th CCP Central Committee, Shaanxi Province has actively launched foreign economic and technical cooperation, and that preliminary results have been realized in readjustment of the national economy and in development of services as follows:

1. The province has taken delivery of medium and small size compensatory trade items for processing and assembly. During the past 2 years, the provincial textile, light industry, pharmaceutical and national defense system has used various channels in places such as Xian and Hanzhong to sign 25 contracts with foreign traders, 24 of which have been for processing of imported goods and assembly of imported parts. It is estimated that upon completion, payment for labor will amount to \$6.36 million of which \$3.56 million for payment for labor has already been received.
2. Imported technological equipment has created favorable conditions for reform in enterprises. Last year, the No 4 National Cotton Plant used earnings from the processing of imported goods to bring in from Japan three automatic luotong [5507 4592] machines, which following installation and use to prove out techniques, produced rather good economic results. Importation from Belgium by the Hanjiang Pharmaceutical Plant of toluene imidazol technical equipment has already been approved. According to feasibility analysis, technically it will be able to do what a set of advanced equipment with an annual output of 60 tons of new type anthelmintics can do, and use advanced methods for treating industrial wastewater. Economically, it can create \$3.21 million in foreign exchange annually. A foreign exchange loan negotiated for the importation of this technical equipment will be repaid from the products it produces within 7 months. Additionally, the Shaanxi Provincial Sewing Machine Plant will introduce from the Singer Company in the United States industrial high speed flush joint sewing machine production facilities, and the Xian Red Flag Wristwatch Plant will bring in from Japan cold stamping equipment to make watch cases.
3. The province has begun contracting (or sub-contracting) of projects, providing labor to solve problems of enterprises not having enough to do and to open a new way to place labor in jobs. For the past year and more, Shaanxi Province has signed

contracts for the building of 37 foreign projects and to provide labor. This has been done through the Foreign Economic Department, the Textile Department, and the National Construction Administration. The initiation of this activity will both help us learn and master advanced foreign techniques and enterprise management methods, and will increase the country's foreign exchange earnings.

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## FOREIGN TRADE

### SOME PROBLEMS IN ESTABLISHING EXPORT MARKETS EXPLORED

Tianjin TIANJIN RIBAO in Chinese 3 Nov 81 p 3

[Article by Hu Shunguan [5170 5293 1351]: "Do a Good Job of Building Export Commodity Bases on a Foundation of Production"]

[Text] In the early 1960's, Comrade Chen Yun said: "In order to export more, it is necessary to organize production on the basis of the needs of international markets and do a good job of export commodity bases." History has demonstrated that this point of view was correct and workable not only at that time, but is still correct and workable in terms of the present.

In the first session of the Ninth People's Congress convened in this city last year, the need for Tianjin to build export bases for foreign trade was pointed out. This is doubtlessly a decision of great foresight. It pointed out higher goals for the city's development of industry and agriculture, and also noted the major North China port city of Tianjin's unshirkable duty to the country.

But how can Tianjin be built into an export base for foreign trade? The comrades in departments of the city concerned hold different views.

One view holds that only after first formulating policies and arousing the enthusiasm for local and industrial units to produce export commodities so that industrial unit production of export commodities will bring greater economic benefits than production of commodities for internal consumption will it be possible to build export bases for foreign trade. Realistically, this notion contains some problems. The formulation of policies and measures in tax reduction and profit concessions to arouse the enthusiasm of producers to produce export commodities would encounter countless difficulties in implementation owing to existing restrictions in the management system.

Another view holds that in the building of export bases, the main efforts should be placed on production to increase the competitiveness of commodities. In order to get commodities produced, it is essential to formulate various policies for industrial plants to arouse their enthusiasm. However, full solution to this problem bears on the all around reform of the economic system, and we cannot let difficulties in this reform affect our confidence in improving production.

We agree with the latter view, because the former view seeks mainly an external solution to export commodity production, while the latter view relies mainly on

concentrating advantages of internal production links. Of course, for a certain product at a certain time, it may be necessary to acquire external support; however, this should not become the universal guiding mentality. The export trade situation of a country, a province, or a city is the overall embodiment of its economic strength. Production is the material foundation that ultimately decides export trade. The size of export trade is determined principally by the level of production of commodities that enjoy a market. The reason why development of export commodity production by Shanghai and Jiangsu has been faster than in Tianjin is the result of prodigious efforts on quality, varieties, design, sizes, and colors, and production efficiency. "To forge iron, one's own body must be hard." Unless the administration and management of production links has been hardened, the more one adopts policies of "favored treatment," the more a situation of dependence develops, which is contrary to one's wishes. Tianjin rugs are famous in international markets where the supply cannot keep up with demand. The reason is that quality is good, costs are low, and competitiveness is strong. Tianjin used to be the sole port of export of flatware, but because of problems in the organization of labor, overly large expenditures, and high losses from exports, it faced strong competition from later comers such as Shanghai. Such examples are numerous.

The bringing along of a hot selling item requires many years of arduous efforts. The prominence of Tianjin rugs results from almost 100 years of effort. Reform of the system will not be completed for some years, and until this occurs, we cannot simply do nothing. Furthermore, we cannot simply expect that once the system has been reformed that several hot selling items will come into being at once. Consequently, we must restrain thoughts of quick success and instant benefits and do a solid job of improving competitiveness.

Of course, the need for reform of the economic system for development of export trade cannot be denied. Right now as a combination of readjustment and gradual reform are underway, new economic policies to meet the needs of readjustment and reform are in process of being formulated. The national industry and communications work conference held this April put forward eight policies, including policies for the promotion of export commodity production. If we take full advantage of the role of these policies and use our strength to improve production of export commodities, it will be entirely possible to get results such as have been obtained in Shanghai and Jiangsu. In addition, in order to increase the competitiveness of commodities, it is crucial for producers to know at all times changes in international markets. It so happens that the existing foreign trade system is faulty in this regard. The current system of managing foreign trade was established following the founding of the People's Republic in the process of the socialist reform of private import and export trade. It restricted the rights of regions and industrial plants in directly undertaking export trade, and obstructed domestic and foreign economic exchange to form a unified situation whereby producers and marketers were unable to meet each other. At the same time, this system also promoted growth of a bureaucratic work style in doing business in foreign trade departments, which did not help figure out ways to improve administration and management or lower costs. It also got in the way of helping production units improve product quality, increase color, variety, style or design, and improve production techniques. Consequently, reform of the system is absolutely essential.

Since the building of foreign trade export bases requires that action first be taken in production links, we should explore the competitive situation in the international market and our own competitive position so as to have a yardstick for our development of export commodity production.

Comrade Chen Yun said, "We are not the only ones doing business in the international markets; there are many people doing it. In a situation of mutual competition, it is the products that are of good quality and low price that will sell." The fierce struggle in the international marketplace may be described by using the term "trade war" that capitalist merchants often use. Generally speaking, it is only in the case of pioneering goods, i.e. goods the uses for which no other product has heretofore provided that enjoys an as yet unopened virgin territory. When such goods first enter the market, they encounter no competition. In other cases, all products must meet the competition of goods already established in the market. In order to make more money, international capitalists use all modern science and technology to produce goods in many sizes, designs, colors and varieties and use everything from psychological propaganda to after sale service to capture international markets. If we are to build export commodity bases for foreign trade, we will have to have large quantities of goods enter the international market, and engaging in a "trade war" will not be possible to avoid. Since most of Tianjin's products are late comers to international markets, this is particularly likely to be their reception. Unless our products have some outstanding features, they will not be able to win victory in a "trade war." Some of Tianjin's export products are competitive, but quite a few of the export products are competitively weak in international markets and will be bested in a "trade war." For many of the products, production has been guided for a long time by the requirements of domestic markets; colors, styles, and varieties are uninteresting, packaging is crude, and so they will have to be sold at prices far lower than for foreign goods of the same kinds, and will find a place in low quality markets. This produces a situation of "first rate raw materials, second rate quality, third rate packaging, and fourth rate prices."

In order to reverse the situation of inferiority in the "trade war," we must begin with production, preparing a strategic blueprint of long range objectives for each and every major export product, and formulate a concrete program for action on this basis. The strategic blueprint should include the market capacity, and the variety, color, style and design, quality, packaging, price, sales promotion methods, after sale servicing and such special features or shortcomings of similar goods sold under the trademarks of competitors. It should also include how to make the most of our own strengths and take advantage of the weaknesses of others, which several trademarks of similar goods should be selected as objects for us to overtake and surpass, methods of promoting sales, and times of delivery of goods. This means both knowing oneself and knowing one's adversaries, and the combining of requirements with capabilities. It also means making some compensurate readjustments in production and setting a program for oneself. The program of action means implementation of the tasks formulated in the blueprint and the taking of specific actions such as how to improve technology and increase product standards, how to do a good job of economic intelligence and of market forecasting work etc. The strategic blueprint and the action program must proceed from close research and investigation of products with mostly industrial production and foreign trade units, but also organization and planning, pricing, and materials units, working together to study and formulate them. For example, a whole series of problems have to be solved with rugs. How much wool yarn and how much cotton yarn will be required? Which plants should produce them? From where and by what means does Tianjin assure it gets native varieties of sheep wool for national products? Another example is flatware which requires solution to the supply of stainless steel materials, and problems



in improving the labor organization and lowering costs, all of which require scientific and truly workable answers. We recommend that in formulating development plans for major products, one must conscientiously listen to the views of cadres, the masses, and experts to carry out the necessary scientific proof.

Tianjin is currently working on new export goods development plans. We must diligently summarize the lessons of experience, propose genuinely workable objectives, steps to be taken and actions so as to concentrate forces in all quarters and with one heart and one mind strive to build the city into a base for foreign trade exports.

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## FOREIGN TRADE

### PIG IRON EXPORTS FROM SHANXI INCREASING

Taiyuan SHANXI RIBAO in Chinese 21 Nov 81 p 1

[Article by Shen Weijun [3088 3634 6511], Wang Zhi [3769 4249], and Yu Dongzhi [0151 2639 1807]: "Steady Stream of Pig Iron Exports from Shanxi Province; Metallurgy Enterprises such as Lingang Exhibit Normal Production Situation"]

[Text] Metal materials companies in the province in cooperation with the Ministry of Foreign Trade have actively organized exports of pig iron. Metallurgy enterprises in Shanxi Province such as Lingang and Yanggang have begun to reverse the passive situation of an overstocking of products, gradually exhibiting a normal production situation.

Because of the changes in the product mix occasioned during the period of readjustment, the machine industries did not have sufficient quotas and the scale of capital construction was curbed; as a result pig iron sales were off and serious overstocking occurred. As of the end of the third quarter of 1980, production units in Shanxi Province owned by all the people had 313,000 tons of pig iron in storage, 142,000 tons of it being in production and construction units, and in supply organizations and materials units, and 171,000 tons of it being in products stored by enterprises, in a situation of overstocking and flat sales. Industries were faced with a passive situation of supply being greater than demand in which it was hard to maintain continued production.

In view of this situation, during the past year the province's metal materials companies have cooperated closely with the Ministry of Foreign Trade to organize export of pig iron and break into the international market. They entered into professional relationships with 12 companies in Japan, the United States, Bangladesh and Hong Kong, signing 17 contracts. As of this September, they had concluded agreements for 212,000 tons of pig iron and have shipped 10 shiploads. Exported pig iron amounts to 56,398 valued at 17 million yuan, assuring that the two major enterprises of Lingang and Yanggang will be able to continue production. On the basis of letters of credit already received, another 70,000 tons valued at 11 million yuan will be exported during the fourth quarter. A total of 120,000 tons of pig iron valued at 28 million yuan will have been exported for the entire year, providing the country is more than \$10 million in foreign exchange.

The broad masses of staff and workers in all steel producing enterprises in the province are now bending every effort, determined to fulfill or overfill fourth quarter export quotas, to hasten the speed of next year's production, and to assure active readiness to realize plans for pig iron exports.

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## FOREIGN TRADE

### BRIEFS

SMUGGLING IN SHANGHAI--The struggle against smuggling has achieved success in the first 9 months of this year. The Shanghai customs office alone dealt with more than 2,000 smuggling cases, involving smuggled goods estimated at more than 2.4 million yuan, an increase over the same period of last year. The municipal people's government has seriously carried out the State Council directive to crack down on smuggling activities this year. Cadres meetings were held and arrangements were made. At the same time, a notice was issued to tighten market control and crack down on speculation and smuggling activities. Propaganda and education were carried out in various forms. Customs, public security and industry-commerce departments strengthened the activities against smuggling and tightened control. As a result, the struggle against smuggling achieved distinct success. From the smuggling cases dealt with, it appears that watches and electrical goods were the main items smuggled in, and that cloth materials and clothing showed some increase. While smuggling activities have decreased to some extent in the areas along the southeast coast where smuggling was rampant, such activities are still reported without interruption. About 70 percent of the cases uncovered by the customs office were cases of illicit sales and smuggling by roving smugglers. The number of smugglers from Hong Kong and Macao was relatively large. A number of cases involved goods of high value and caused great harm. In some cases, smuggling was carried out through collusion between people inside and outside the country. This year the customs office has tracked down more than 40 smuggling cases involving people from Hong Kong and Macao. Each case of smuggling involved 5,000 yuan, and the value of the smuggled goods uncovered was estimated at 1.5 million yuan. [Text] [Shanghai JIEFANG RIBAO in Chinese 22 Oct 81 p 1] 9780

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## LABOR AND WAGES

### SHANGHAI PAPER PROMOTES DISCUSSION OF PROFITEERING

#### Cases Reported by Readers

Shanghai JIEFANG RIBAO in Chinese 23 Oct 81 p 2

[Article by Zhu Ronggen [4281 2837 2704]: "Profiteers Must Be Subjected to Discipline"]

[Text] The discussion on "how to deal with profiteers," which we started on 27 August, has now been concluded after nearly 2 months.

During the discussion, our readers have sent us letters expressing their views. By 20 October we had received 563 letters. In addition to readers in this municipality, taking part in the discussion were enthusiastic readers from Jiangsu, Zhejiang, Jiangxi, Fujian, Shandong, Hobei, Honan, Hubei, Gansu, Liaoning, Guizhou, Anhui, Shanxi, Guangxi, Heilongjiang, and Xinjiang. Most of the readers were of the unanimous opinion that this matter, which was brought to light by the press, is widespread, and that this discussion is timely and appropriate, making it possible for them to communicate what they want to say.

First, many comrades, citing what has happened in their units and localities, have written to our office exposing the fact that a small number of people, some of them workers at their posts and some retired workers, under all kinds of guises, use their sick leave, leave of absence to attend to private affairs, and without leave stay away from their work to carry on such business activities as peddling, making furniture to sell, soliciting business, carrying out processing work and purchasing raw materials for commune brigades for remuneration. In their letters our readers solemnly point out that these profiteers engage in evil practices, making ill-gotten gains and undermining the socialist foundation, and that the departments concerned must subject these people to discipline and intervene in these activities.

Second, the case of G. "reaping profits" is analyzed: it is held that the important reason for "reaping profits" is that ordinarily G. does not study conscientiously, seeks material benefits when doing things, and has "money in mind" in everything. Therefore, to plug the loophole, it is imperative to stress ideological and political work. A number of readers also point to objective causes, such as the laxness of rules and regulations: for example, a few medical personnel, taking medical service as a personal favor, write sick leave certificates at will for those who have dealings with them, thus providing the profiteers with opportunity.



Third, letters from readers have brought to light the way commune brigades employ personnel. Some units among the rural commune brigade enterprises find their own production, supply and marketing outlets, thus opening the door to profiteers. Exploiting their functions and power, some of them give the green light for commodity circulation. Some who have certain skills come forward to give directions; some use those with whom they have special relations to act as go-betweens. Although they seldom work, they receive high pay and allowances from commune brigade enterprises, and some of them accept gifts. For this reason, the problem of employing commune brigade enterprise personnel must be resolved immediately.

Fourth, certain grassroots organizations are weak and lax, and quite a few cadres do not dare to deal with these matters lest they be accused of subjecting the masses to discipline; some are afraid of offending the masses and undermining their relations with them.

The discussion has raised the level of understanding on the part of some cadres, allayed their fear of difficulties, and strengthened their determination to deal with the evil practices. The Shanghai Vehicle Fittings Plant No 2 has a worker who left his post during the Spring Festival last year to "reap profits" elsewhere. On discovering this, the plant leading body found itself in a difficult position, so no action was taken to deal with the matter. The recent discussion of the matter in the press gave them enlightenment. The members of the leading body unified their thinking, made a special study of this "profiteer" and dealt with him sternly. The Huaihai Motor Repair and Building Plant tightened factory discipline and workstyle in coordination with the discussion of the subject. The party branch at the Lianho Car Fittings Plant drew inferences about other cases from one case, and, centering on the evil practice of "reaping profits" that had occurred or might occur in their cooperative relations with other plants, provided education for their cadres, fostering advanced ideas, criticizing wrong acts and bringing it home to all that they must intensify study and increase their immunity if they want to avoid evil practices. Trade union cadres of Shanghai Enamelware Plant No 3 told this correspondent: "Originally, we did not dare deal with these things. Now we are somewhat emboldened. We must intervene in these matters. We should stress education, on the one hand, and take the necessary administrative measures, on the other, to stop such practices."

At the time of the discussion, the reporter as well as the company and factory had separate talks with G. and worked with him. G's case is now under further investigation and verification by the department concerned. The newspaper office will pass on to the departments concerned for action those letters describing concrete cases; we will not answer the other letters one by one, hoping the reader's will excuse us.

## Economic Committee Official's Views

Shanghai JIEFANG RIBAO in Chinese 23 Oct 81 p 2

[Article by Zhou Lan [6650 1526], vice chairman, Shanghai Municipal Economic Committee: "We Need To Check 'Profiteering' by Staff and Workers"]

[Text] The special column opened in JIEFANG RIBAO for discussion of "how to deal with 'profiteers'" has set off a strong reaction. Many readers have enthusiastically taken part in the discussion and have set forth many good views and proposals which will do a great deal to distinguish right from wrong, improve our work and bring about the relevant provisions to stop such evil practices. Here I wish to say something about our views on the question.

We agree with the majority of readers that it is utterly wrong for the staff and workers of an enterprise to ask for lengthy sick leave for the purpose of seeking improper economic income. Under the socialist system, the staff and workers are masters of the enterprises and masters of the state, and as masters they should perform their duties conscientiously. Staff and workers should conscientiously make their contribution to the four modernizations program, in which the fundamental interests of the people lie. By taking the improper means of fraudulently asking for sick leave to "reap profits" for themselves, those staff members and workers have cast away the elementary moral character of the working class. It should be realized that the improper way taken by a small number of staff and workers to seek extra economic income has already brought grave consequences: First, it has exercised a corrosive influence over the minds of other staff members and workers, with the result that they have been unable to concentrate on production, the order of enterprise production has been thrown into confusion, and normal production has been severely affected. Second, it has led to criminal activities such as stealing, accepting bribery, and taking the belongings of others. Therefore, as a number of readers have said, this matter has done grave harm to enterprises, making it imperative that it be dealt with.

The municipal Economic Committee's "report on stopping staff and workers at their posts from seeking improper extra economic income" approved and transmitted by the municipal government in March this year pointed out: "When technical and professionally proficient staff and workers of an enterprise are approached by representatives of enterprises belonging to the whole people or collective enterprises in this municipality or other localities to overhaul and install equipment, act as technical instructors, provide design and technological data or train technical personnel, they should give enthusiastic support where possible, provided arrangements are made and economic contracts are signed through the proper organizational procedures and provided the support is given in a guided and organized way." "No staff member or worker may secretly agree to carry out cooperation and support tasks with other units for the purpose of seeking improper economic income." However, for reasons that are complex, these provisions have not been completely carried out among all enterprise staff members and workers. I believe there are two main reasons for this: 1) Some leading bodies are so weak and powerless that they fail to study promptly and solve seriously problems arising from the economic readjustment and restructuring. After approval and transmission of the Economic Committee's report by the municipal government, evil practices of "profiteering"

were still not being criticized and stopped, education was still not conducted under the pretext of "not knowing how to deal with profiteering because the policy is not clear-cut and not daring to deal with it because the dividing line is not clear"; 2) The reorganization of enterprises has failed to keep pace. Some units have not been properly managed and rules and regulations have been lax, with loopholes providing openings for evil practices.

The wrong acts of seeking improper economic income must be firmly stopped. In their discussion many readers criticized the departments concerned and demanded that their weakness and laxity be changed immediately. These views are correct, reflecting the enthusiasm of the masses for waging a resolute struggle against evil practices. We must rouse and rely on the vast number of staff members and workers to take practical measures to stop the evil practice of "profiteering."

To begin with, all enterprises must strengthen ideological and political work.

They should teach their staff and workers to distinguish right from wrong and raise their level of political consciousness; they must come to understand that it is entirely necessary for the party and government to encourage job-awaiting youths and jobless personnel to perform individual labor, entirely necessary to permit the existence and certain degree of development of individual economy, and that this policy will be continuously upheld from now on. But it is unjustified and impermissible for those staff members and workers who have workposts and a fixed income to engage in activities for the purpose of seeking improper economic income. Staff members and workers should be taught that extensive activities of cooperation and support between enterprises and between regions should be promoted, but that this form of cooperation and support must be conducted in an organized and guided way and must not be interpreted as permission for individuals to do what they like and go where they want. Those who "seek profits" are by no means contributing to society, but are undermining the socialist foundation. All staff and workers should stick to their work posts, perform their duties well, take the socialist modernization as their duty, establish the communist ideal and morality, manifest their attitude as masters, and strictly observe discipline and the law. They should come to understand that only on the foundation of developed production and increased income can the material and cultural life of staff and workers be continuously and gradually improved and the relationships between the interests of the state, the enterprise and the individual be correctly handled, and that under no circumstances may the overall interests be affected or damaged by onesided stressing of individual interests. Party organizations and enterprises should promote healthy trends and bring to public notice those advanced staff members and workers who demonstrate good thinking and style, work hard and adopt a correct attitude toward the interests of the state, the enterprise and the individual. Communist Party members, YCL members and cadres should streamline their organizational activities, unfold criticism and self-criticism, take the lead in resisting evil practices, and become models in sticking to their workposts and dedicating themselves to the four modernizations.

The masses should be urged to criticize and resist these "profiteers" at meetings of democratic activities and meetings involving heart-to-heart talks and

through the use of various instruments of propaganda as powerful molders of public opinion, thereby denying unhealthy trends any support, isolating evil practices, and stopping such unhealthy trends. Furthermore, business management must be strengthened vigorously. Enterprises should strengthen business management according to the requirements set by the State Economic Commission concerning reorganization of enterprises. They should assure the success of the economic responsibility system, draw up the necessary factory rules and regulations, strengthen management of goods, strictly enforce financial discipline, tighten labor discipline, and plug loopholes. By drawing up advanced and reasonable quotas and streamlining the job responsibility system, all staff and workers should be prompted to fulfill their production and work tasks within their working hours. Sick leave control should be tightened. Both the factory medical offices and the labor protection hospitals should adhere to principle, handle matters impartially, and issue sick leave certificates according to the actual state of affairs. At the same time, we should go a step further and assure the success of the economic responsibility system. We should insure distribution according to work and give spiritual and material reward to those staff members and workers who do a good job and make great contributions. Those staff members and workers who violate labor discipline and fraudulently obtain sick leave, leave of absence to attend to private business, or stay away from their work without leave should be strictly dealt with in accordance with regulations. No opportunity should be given to those "profiteers."

Furthermore, law and discipline should be enforced. Those who refuse to mend their ways despite patient education should be sternly dealt with. Without law and discipline, no state can be governed and no factory can be run. The State Council, the Commission for Inspection of Discipline and the municipal people's government have promulgated many documents and regulations. Those staff members and workers who breach laws and discipline and refuse to mend their ways despite repeated education efforts should be subjected to disciplinary action according to the circumstances of each case, such as: warning, recording of demerits, recording of major demerits, demotion, reduction of salary (reduction of wages), suspension, and expulsion with approval of the bureau in charge. Those staff members and workers who stay away from their work without leave for a long time should be ordered to return to their enterprises within a specified time; if they do not return to work, they may be dealt with as cases having left their jobs voluntarily, and their names should be removed from the rolls. A number of factories have done this with definite results. Those who violate criminal laws should be turned over to the justice organs to be dealt with in accordance with the law.

We believe that through this discussion all units will be roused to pay attention to this matter and to take immediate action to stop the evil practice of "profiteering."

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## LABOR AND WAGES

### EMPLOYMENT IN LIAONING

HK121148 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 20 Dec 81  
pp 25-31

[Article by Zhuang Qidong [8264 0796 2639], Liu Xun [0491 1789], Zhu Yuanzhen [2612 0337 3791] and Sun Kelian [1327 0344 0087]: "An Investigation of Urban Employment in Liaoning Province"]

[Text] In May this year, we carried out investigations of the employment in cities and towns in Liaoning Province. The results of the investigations showed that over the past few years, the province has made outstanding achievements in solving the employment [problem]. But still there are problems that have to be urgently resolved.

#### (I)

Liaoning Province is a heavy industrial base for the whole country. Its heavy industrial output value in 1980 was 30.84 billion yuan, which was 11.9 percent of the national gross heavy industrial output value and 67.6 percent of the provincial gross industrial output value. This was the highest output among the provinces, municipalities and autonomous regions throughout the country. The proportion of the population in cities and towns in the province constitutes as much as 31.8 percent of the province's total population, much higher than the 13.7 percent national average and a higher percentage than all other provinces. Because of this economic structure, the structure of the population and a continuous influx into cities and towns of a great number of the educated young people who earlier settled down in rural areas during the "great cultural revolution," the province has constantly faced serious employment problems in cities and towns over the past few years. Between 1977 and 1980, a total of over 2.6 million people in urban areas were waiting for employment and the number of such people in 1980 was as high as 1.3 million, about 1/10 of the national total. In the past 4 years, the province arranged employment for 2.2 million people, 39.6 percent of the total current staff and workers in the province and this figure was the highest among all provinces, municipalities and autonomous regions throughout the country. By the end of 1980, there were 447,000 people in urban areas in the province who were waiting for employment. This gave a rate of people awaiting employment of 5.9 percent. This percentage was higher than the national level of 4.9 percent for the same period. But the majority of the people waiting for employment which had accumulated for many years, particularly the nearly 2 million educated young

people who settled down in rural areas in the past years, have been given employment and the problem of employment in urban areas has been drastically eased.

The work carried out by Liaoning Province in 1980 to arrange employment had the following three features.

(1) Develop the Collective and Individual Economics in Cities and Towns

The economic organizations under collective ownership in cities and towns were the main organizations which provided employment in the last few years. Of the 708,000 people who were provided employment throughout the province in 1980, 471,000 were employed in the collective enterprises and units. This figure represents 66.5 percent of the total. In addition, 220,000 young people were given temporary jobs in the collective economic organizations. This shows that it is vital to develop the collective economy in cities and towns if the province is to solve the urban employment problem. The province has developed the collective economy in cities and towns mainly in the following forms.

First, it has mobilized enterprises and units to help develop the collective economic organizations.

In 1980 the province set up a number of new collective factories using this form while the existing collective units employed more [workers] to make up for natural losses of staff and all this assisted in arranging 384,000 jobs which constituted 54.2 percent of the total employment arranged. For example, a knitting factory in Fengcheng County set up a cap producing cooperative by making use of idle equipment and consequently they arranged the employment of 70 young people. The cooperative is producing woolen caps that are in good demand in the market. Last year this cooperative recorded 400,000 yuan output value, with profits coming to over 40,000 yuan. The various units concerned are trying hard to manage well the collective economy. For example, the Cultural Bureau of Fengcheng County set up a photo studio and a picture-story book stall to arrange the employment of 10 young people.

Second, collective economic organizations have been operated in the form of joint ventures.

Last year, 517 economic unions were set up across the province to employ 25,000 people. These units are collective enterprises set up in cities and towns, through common efforts, among the enterprises with ownership by the whole people and those with collective ownership and among heavy industrial enterprises and light industrial enterprises with regard to funds, factories, equipment and technology. The Dalian locomotive plant rendered support to the 80 technical workers in the collective bicycle plant in the city and as a result this bicycle plant was able to expand productivity and employ an additional 900 young people. The Dalian shipyard provided a 350,000 yuan interest-free loan to the No 2 garment factory in the city to set up a subsidiary and arrange the employment of 300 young people.

Third, districts, neighbourhoods and towns have run collective economic undertakings.

According to statistics, the districts and neighbourhoods in the nine cities in the province last year set up more than 6,000 collective service points and arranged employment for 66,000 people. A dozen retired technical workers of Yaming neighbourhood in Shenyang led more than 30 young people who were waiting for employment to form a repair service team that specialized in repairing production equipment of mining enterprises. Last year, thanks to the efforts made by this team, equipment of the Shenyang steel rolling plant that had not been used for many years because no one had repaired it, was at last used again in production. This team which is serving production has been welcomed by enterprises.

Fourth, labor service companies have run collective economic undertakings.

The labor service companies (stations) at various levels in the province set up 2,927 collective factories and points in 1980 to employ 57,000 young people in cities and towns. The 60 collective factories and points under the labor service companies (stations) in Dandong employed 1,942 young people and recorded an income of 2.535 million yuan for the whole year, with profits amounting to 415,000 yuan. A labor service company in Yuanbao District of the city has set up 34 factories and points to employ 1,215 people. In the first quarter of this year, these undertakings made 22,300 yuan profits, an increase of 27 percent over the same period of the previous year.

Fifth, the masses have set up undertakings of "local people collectives" with funds raised by themselves and on the basis of voluntary cooperation.

This is a new collective economic organizational form which developed in the province last year. Statistics of Fuxin City showed that the masses in the city last year raised 1.31 million yuan to set up more than 300 collective enterprises and employ 14,000 people. Such "local people collectives" have their own features of "six selves and one support" which means determining by oneself whether to join, raising funds by oneself, carrying tools by oneself, finding sites for enterprises by oneself, being responsible for one's own profits and losses, finding solutions by oneself and support from the state. Up to the present, only a few enterprises have been able to realize all these features. The Maixiangcun snack shop that is run by three 19-year old girls in Huanggu District in Shenyang is a "local people collective" undertaking that has been set up according to the principle of the "six selves." This shop carries out democratic and consultative management methods and the profit is distributed according to labor and agreed between themselves. The daily turnover of this shop is about 80 yuan, with profit coming to about 10 yuan. It means that the average monthly income of each of these three girls is 80 to 90 yuan. The road taken by this shop may become the orientation for the future development of the collective economy in cities and towns.

At the same time as developing the collective economy in urban areas in a big way, the province also developed the individual economy. By the end of 1980, there were 53,111 individual laborers throughout the province, an increase of 300 percent over the previous year. This is by far the highest national growth rate. Up to the end of April this year, the number of individual laborers in Shenyang totaled 19,490, of which 643 were young people who had employment arranged for them, representing 3.2 percent of the total. The number of idle laborers employed totaled 4,819, 24.7 percent of the total. Thus, employment was arranged for a

total of 5,462 individual laborers, 27.9 percent of the total. It can be seen that the individual economy in cities and towns has played an auxiliary role in solving urban employment.

## (II) Open Up More Avenues for Employment

### 1) Expand the production of daily consumer goods.

Through readjustment over the past 2 years, the province has been able to begin to change the economic structure that formed over a long period and that was characterized by mainly relying on heavy industry. It has also been able to considerably develop the light industry and textile industry that produce daily consumer goods. The proportion of light industrial output value in 1980 was 28 percent higher than the previous year and its proportion in total industrial output value increased from 26.7 percent in 1978 to 32.4 percent. The development in the production of consumer goods has provided certain amount of new jobs. The number of staff and workers employed in light industry in the province was 158,000 in 1980, an increase of 14.5 percent over the previous year.

In expanding the production of daily consumer goods, the province has paid special attention to developing the products, the production of which is labor intensive. The second light industrial system in Dandong City last year developed, in a big way, such labor-intensive undertakings as clothing, woodenware, plastics, leather and arts and crafts. These enterprises have employed more than 5,400 people. Most are female laborers. Many of the products of these enterprises are exported. Of the export-oriented light industrial products purchased from Dandong last year, 51 percent were labor-intensive products.

### 2) Carry out comprehensive utilization.

In opening up more avenues for employment it is an important measure for Liaoning Province to develop comprehensive utilization by making use of the bits and pieces of raw materials left over by industrial and mining enterprises. The Anshan Iron and Steel Company organized young people who were waiting for employment to produce washers by making use of the company's leftover bits and pieces of raw materials. The company last year exported 1,000 tons of washers to the United States of America and earned \$1.1 million foreign exchange. The production of the washers has provided more than 1,000 jobs. The Dalian steel rolling plant set up a subsidiary to make use of the leftover bits and pieces of rolled steel and this employed 492 young people. Last year this subsidiary made 1.4 million yuan profits.

### 3) Develop service trades in cities and towns.

In 1980, the number of staff and workers in the commercial, catering, service and supply and marketing departments of the province increased by 92,000 as compared with the previous year. The number of staff and workers in the public utility departments of cities increased by 27,000. Dandong City set up more than 200 additional collective commercial, catering and service points last year to provide employment for more than 5,000 young people.



4) Add work teams to increase the utilization rate of equipment.

Adding work teams is an effective measure for the existing enterprises to increase production and tap potential. So far there are 10 trades and 72 units across the province that are carrying out trials in this aspect. There are 29 textile enterprises that have provided more than 10,000 new jobs by carrying out a method of "four teams and three work shifts." The First Commercial Bureau of Shenyang has advocated "making the best use of time." The 14 shops under this bureau have carried out a "two section system." According to this system, the staff of each shop work in two shifts with each shift having its own plans and its own accounting while business hours have been increased to 12 or 14 hours. In this way, the bureau has been able to newly employ 1,100 young people.

(III) Carry Out Preemployment Vocational Education

Liaoning Province has done a good job in carrying out preemployment vocational and technical education and this measure has played a definite role in increasing labor productivity and alleviating the pressure on urban employment. In this respect, it mainly concentrated its efforts in the following two aspects.

Primarily it did a good job of transforming the structure of secondary education so as to solve the problem of all education being divorced from labor employment. By the end of 1980, there were 786 vocational schools in the province with 78,000 students and this figure constituted 26 percent of the total number of senior secondary school students. This figure was not only much higher than the 2.3 percent recorded by the province in 1977 but was also higher than the 1980 national figure of 14.9 percent. A total of 900 students graduated from junior secondary grades in Zhuanghe County last year; 300 of these graduates entered senior secondary grades while the other 600 joined the vocational courses run by the schools. None entered into society to wait for employment. This situation consequently alleviated the pressure on employment in the locality. In addition, the province has gradually lengthened the term of primary and secondary schooling to 12 years. This work has been done well and it has helped to ease the pressure on labor employment in cities and towns during the readjustment period.

Secondly it mobilized the strength of various sectors so as to do well the vocational and technical training of the young people that are waiting for employment. With regard to junior and senior secondary school graduates who are waiting for employment in cities and towns, it is imperative to mobilize units, labor service companies, organizations, groups and neighbourhoods to provide various types of vocational and technical education or extracurricular educational courses so as to provide these graduates with various opportunities to study and to prevent them from becoming idlers in society. In 1980, the labor service companies (stations) throughout the province ran 577 technical training courses for 27,000 young people who were waiting for employment; they also ran 606 extracurricular educational courses with more than 40,000 young participants. Various neighbourhoods in Yuanbae District in Dandong ran 32 vocational training courses last year with 2,491 young participants.

The methods introduced by Liaoning Province in developing the collective and individual economies in cities and towns, in opening up more avenues for employment

and in carrying out preemployment vocational education have provided some beneficial experiences for us in solving the current employment problem in cities and towns. But we must also understand that the province is still faced with many problems that have to be resolved as quickly as possible. For example, it has become a common practice to look down upon the neighbourhood collective economy and individual economy; many people (including young ones) only regard working for units owned by the whole people and by "large collectives" and thus "eating out of the big rice bowl" as employment. They do not regard working with a "small collective" as employment, not to mention working with individual undertakings. Under these conditions, it is difficult for the "local people's collectives" that have the features of the collective economy to develop. Meanwhile a great number of various "public collectives" that use the methods practiced by units under the ownership of the whole people have emerged; the collective economy in cities and towns is still following the old road of changing from the "small collective" to the "big collective" and from the "big collective" to the "whole people." Some inherent features and advantages of the collective economy are becoming less distinct in the existing collective organizations in cities and towns. We must pay attention to this situation. In addition, there are not enough definite and powerful policies and measures for solving some problems of the collective and individual economies in urban areas such as raising funds, supply of goods, recruitment of workers and apprentices, prices and taxation and labor insurance. This situation has also hindered the development of both economies. For example, 1,200 individual households in Shenyang returned their license and suspended their business in the first quarter of this year while another 1,900 license holders just took a wait and see attitude. In opening up more avenues for employment we must understand that there are enormous number of opportunities for work in cities and towns in the province. There are still many new areas to be explored and opened up in production and service sectors while the existing employment potential in enterprises and society is far from being completely tapped. In addition, there is a series of, as yet, unresolved problems in preemployment vocational education such as the leadership system, funds, sites, teachers, teaching materials and the orientation of training.

## (II)

As the educated young people who settled down in rural areas began to return to cities and towns in early 1979, the number of people waiting for employment in cities and towns soared to 1.5 million resulting in very high pressure on employment and causing factors of social instability to increase. In such a situation, the provincial leadership agreed to take the measure of arranging employment by the method of "assigning responsibility for solving the problem to the department concerned" in a bid to enhance the initiative of various sectors and solve as soon as possible the problems of employment in cities and towns. Under such extraordinary conditions, it is understandable that the province took such a measure. By relying on this method, the province has, over the past 2 years, arranged the employment of more than 1.5 million people and eased the contradiction of those waiting for urban employment. It has promoted social stability and unity, promoted the relationship between the masses and the party and helped staff and workers increase their income. Judging from this, it must be affirmed that the method of "assigning responsibility for solving the problem to the department concerned" has played a positive role in solving the problems of labor employment in the

province. But we can in no way regard this method as the major avenue for solving the employment problem. The so-called "assigning responsibility for solving the problem to the department concerned" means that various departments and units are responsible for arranging the employment of the sons and daughters of their staff and workers. This method was not invented by the province. At the outset, this method advocated a principle for arranging employment of "unified planning, arrangements being made by the departments concerned, unity of departments and walking on two legs." But in arranging employment over the past 2 years, the principle has basically been changed to "assigning responsibility for solving the problem to the departments concerned." The method of "arrangements being made by the departments concerned" has been developed in practice by various places in the province. It is not only departments and units, but also bureaus, companies, enterprises and even workshops which have taken on the job of arranging employment; manufacturing units, party and government organizations and community are also arranging the employment of the sons and daughters of their staff. Consequently, all units across the province have taken on the job of arranging employment. But with this method there are many shortcomings that are demonstrated in the following main points:

- 1) It is not in the interests of improving economic effect.

The method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" is not based on the needs of various national economic departments and enterprises. It is based on finding employment for the number of sons and daughters of the staff and workers of various departments and enterprises. As a result, the production of some enterprises has dropped because the enterprises had to employ more people even if they had surplus staff or would consequently suffer losses. This situation could not but hinder the improvement in economic effect. Compared with the same period in the previous year, the gross industrial output value of the enterprises with the ownership by the whole people in the first quarter of this year dropped by 5.2 percent while the labor force increased by 54,000 (including 21,000 staff of enterprises under collective ownership who are "temporarily" working in these enterprises). The majority of the newly-employed labor force are sons and daughters who are employed by the enterprises where their parents are working. As a result, the labor productivity of the whole staff of the enterprises under the system of ownership by the whole people was 13 percent lower than the same period last year (there may be some other reasons, but an important reason is that the labor force has not been built up properly) and consequently labor productivity in all industrial enterprises has also dropped. In light industrial and textile enterprises where production has increased considerably, labor productivity has also dropped because of excessive arrangements made for the sons and daughters of their staff. For example, in the first quarter of this year, the production output value of the textile and sewing enterprises and tanneries in the province was 18.5 percent higher than the same period last year while the labor force increased by an average of 20.2 percent and as a result, labor productivity dropped by 1.4 percent. In the circulation sector, the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" has also resulted in a drop in economic effect.

2) Not being in the interests of improving enterprise administration and management

With the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" enterprises lose their autonomy in the use of people and consequently they are no longer in a position to select and use laborers according to their production and work. The Transportation Company under the Shenyang Municipal First Commercial Bureau originally needed more male laborers, but as many of its staff's children needed employment, the company had no alternative but to employ them. The economy now has over 700 surplus women workers. Under the principle of arranging employment through "assigning responsibility for solving the problem to the departments concerned" enterprises have been compelled to employ many of their staff's children even if they are not up to their requirements. A company under the Shenyang Commercial Department recruited 2,248 people last year, of which 22 were recruited against regulations, 33 are apparently disabled and some others are psycho who not only cannot work but have also to be taken care of by three to four people when they are suffering from psychoses.

With the method of arranging employment through "assigning responsibility for solving the problem to departments concerned," the situation in which enterprises are overstaffed is becoming more serious; the principle of fixed production quotas and a fixed number of staff cannot be carried out while economic accounting cannot be carried out normally. Statistics show that the industrial and communications, and capital construction departments in the province now have more than 1 million surplus laborers. Yet under the pressure of "assigning responsibility for solving the problem to the departments concerned," these departments have to continue to employ more people. In the first quarter of this year alone, they employed an additional 70,000 staff. According to plan, the Shenyang No 1 machine building plant should have 6,700 staff, but over the past 2 years it additionally employed over 3,000 children of its staff. As a result, the staff of this plant are now more than 10,000, far surpassing the fixed standard. On the one hand redundant staff are increasing and on the other hand the plant is becoming increasingly short of skilled workers who are able to operate during their shift. This has resulted in a situation that is characterized by a shortage of capable workers, excessive staff and disorder in production to seriously affect the plant's normal production and management. Thus labor productivity of the plant last year was 4.5 percent lower than the previous year and the profits handed over to the higher authorities decreased by 22.1 percent.

The method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" has also resulted in the vicious development in enterprises of the relations of kinship and clanship causing very great difficulties to management. The Muslim section of a restaurant in Shenyang is now staffed with more than 50 people, of whom about 50 percent are employed through clanship relations, only to make it difficult for the leadership in the restaurant to do their work well. A similar situation is still developing in many enterprises in the province.



3) Not being in the interest of the current economic readjustment.

With the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" the distribution of the labor force among various economic departments is decided by the quality and quantity of the children of the staff of each department who are waiting for employment. Labor force is in fact arranged blindly and not in a planned way. Such labor distribution cannot accord with the development of the readjustment of the economic structure. It is necessary for the province, in readjusting the industrial structure, to properly slow down the development of heavy industry and decrease its proportion so as to change the previous work of paying too much attention to heavy industry. The situation in 1979 and 1980 showed that the province had made initial achievements in this aspect. But with a substantial amount of heavy industrial workers, it became imperative for the province in arranging labor to employ more children of such workers in heavy industrial departments, but in no way does this situation accord with the above-mentioned readjustment of the industrial structure. The province's heavy industrial output value in 1980 increased by 2.4 percent over the previous year while the number of workers increased by 8.2 percent. The number of heavy industrial workers increased by 222,000 while light industrial workers only increased by 158,000. This shows that the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" in no way accords with the needs of economic readjustment.

4) Not being in the interests of reforming the labor system.

The core of the principle of the method of arranging employment through "assigning responsibility for solving the problem to the department concerned" is "assignment" and the nature of this "assignment" is a forcible development of the previous labor system that was characterized by "too much assignment and too rigid control" and a change from the "iron rice bowl" to a "hereditary system." It is regarded as just and natural for staff to ask their units to employ their sons and daughters. Some people's appetite has become bigger and bigger and they have demanded more and more. For example, in addition to asking their units to employ their sons and daughters, the staff also asked for better and lighter jobs and higher wages for their sons and daughters. If their demands were not met, even temporarily, they would make trouble with the leadership and consequently the leadership would find itself in a predicament. Therefore, "assigning responsibility for solving the problem to the departments concerned" made the young people awaiting employment and their parents more and more dependent on the units they were employed with, thus affecting their initiative to organize themselves to find employment and to find employment individually. With such a method, the recruitment system of overall testing of morale, knowledge and physical condition and selecting the best is nothing but an empty word. Thus the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" is contradictory to the principle of "introducing employment by labor departments and combining voluntary organizing of employment with seeking employment by oneself" that was advocated by the national conference on labor employment; it is also a stumbling block in reforming the labor system at present and in the future.

5) Breeding departmentalism in enterprises and individualism among staff and workers.

The method of arranging employment through "assigning responsibility for solving the problem to departments concerned" will to a certain extent make enterprises and staff corrupt and centrifugal. Some enterprises that are able to employ more people have refused to do so for those who have no relatives with them and some enterprises under the system of ownership by the whole people have "ceded" the best workshops and equipment, the most profitable production items and the most salable commodities to the collective enterprises that are run by the sons and daughters of their staff. They have even tried every means to ensure that such collective enterprises will make profits so as to increase the family income of their staff even if the state enterprises consequently make less profits or make losses. Such a practice is generosity at state expense; in fact it is seeking private gain at public expense.

In short, through our investigations and analysis of the situation of labor employment in Liaoning Province, it can be seen that although the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" has played a certain role in easing the pressure on labor employment during a certain period, it has many shortcomings. Particularly in the long term, such a method will cause serious results. The main reason for such problems is that the guiding principle of the method of arranging employment itself contains a number of contradictions. The method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" consequently affected "unified planning" and they cannot exist simultaneously without being contradictory to each other. It is true that the province has also carried out some "unified planning" (such as unifiedly arranging the employment of those who have no relations with departments or units or those who have such relations but the departments and units concerned are not in a position to employ them), but taken as a whole, such planning is only supplementary to the method of "assigning responsibility for solving the problem to the departments concerned." In addition, in carrying out such a method, the departments and units concerned do not pay attention to the question of how to open up more ways for production and services and to organize the employed to independently set up collective enterprises with responsibility for their own profits and losses. On the contrary, they just pushed those employed into the existing enterprises to eat out of a "big pot" or set up the so-called "collective" enterprises that in fact rely on "eating at the expense of the system of ownership by the whole people" to get by. There is not enough guidance or the necessary control in arranging employment for workers' children and as a result, grass-roots units solely depend on "assigning responsibility for solving the problem to the departments concerned" and unconditionally arrange employment. Therefore it will not work to regard the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" as an employment principle and important method. The provincial leadership departments have summed up experience and taken measures to solve a series of the problems that have been caused by the method and all these measures are imperative. But what merits our attention is that the tendency of "assigning responsibility for solving the problem to the department concerned" continues to develop. Our study of the problems of this method is not confined to evaluating the work of labor employment that was

done by the province in the past; our aim is to study the question of how to smoothly fulfill our tasks during the readjustment period and how to improve the work of labor employment in our country in the future (because a number of provinces, municipalities and regions in our country are now still resorting to the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" in solving labor employment). Therefore according to our view, no matter what the reasons are, the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" must in no way be continued.

### III

In the next few years, Liaoning Province has to arrange the employment of more than 400,000 people being added to the labor force every year in cities and towns. In 1985, the province is expected to have to arrange the employment of 2.38 million people, of which 1 million are the people who are waiting for employment this year. Can we say that when the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" is abolished, the province will find no other way for arranging employment? No. To our view, there is a way out in this aspect and it is readjustment and reform.

#### (1) Continue to readjust and improve the economic structure.

To readjust the economic structure, particularly to readjust the industrial structure, the structure of ownership and the employment structure, is of primary importance for Liaoning Province in solving employment in cities and towns. The heavy industrial output value of the province in 1980 was 67.6 percent of the provincial gross industrial output value while the national figure was 53.1 percent. So the proportion of the heavy industry in Liaoning Province is still too high and therefore it still has to be readjusted. But of course, this does not mean that the proportion of heavy industry in the province must be lowered to the national average level. But during the readjustment period, the light industry, textile industry and handicraft industry that are producing consumer goods must at least make a fairly big development so that they will be able to provide more employment. Such measures are imperative. The Yuanbao District of Dandong Municipality has set a good example in this respect. The proportion of heavy industry in this district was as high as 70 percent prior to 1979 while the proportion of light industry and textile industry was only 30 percent. The district had 30 percent surplus laborers (about 2,000 people) and more than 4,000 people were waiting for employment. Over the past 2 years, it spared no efforts in developing the production of light industry, the textile industry and handicraft industry and in curtailing and diverting many heavy industrial enterprises to other production. As a result, the proportion of light, textile and handicraft industries rose to 80 percent while the proportion of heavy industry dropped to 20 percent. The district has been able not only to solve the problems of the 2,000 surplus workers but also to employ the more than 3,000 people who were waiting for employment. It has thus provided employment for more than 5,000.

By the end of 1980, 31 percent of the employees in cities and towns in Liaoning Province were engaged in commercial and service undertakings as against the national figure of 39 percent. This showed that the commercial and service



undertakings in the province still have great potential. If the proportion of employment of these undertakings is increased to the 39 percent national level, the province will be able to provide an additional 600,000 jobs.

## (2) Reform the labor system.

In this respect, it is necessary to stress the importance of doing away with "assigning responsibility." We must no longer use the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" while during the readjustment period it is also necessary for the units under the system of ownership by the whole people to employ those who are waiting for employment in society (excluding those who are unifiedly arranged for by the state and those recruited from rural areas); "big collective" units must employ as few fixed workers as possible and use more contract and temporary workers in the interests of flexibility. The new collective economic organizations must in the future be "small collectives" and we must no longer run "big collectives" of a "local state-run" nature. In particular, we must encourage the development of "collectives run by the local people" characterized by "six selves and one support." In this way we will be able to encourage those who are waiting for employment to voluntarily organize themselves in seeking employment and to seek employment themselves. As long as we are determined to do away with the method of arranging employment through "assigning responsibility for solving the problem to the departments concerned" we will be able to arrange employment flexibly and by taking the initiative while the people who are waiting for employment will be willing to do the enormous amount of things that are not being done at present (or that no one is willing to do). For example, Shaoda Street in Dalian now has vacancies for 400 people, but no one responded to its advertisement. The abnormal situation in which many people have nothing to do and at the same time there are an enormous amount of things that no one is willing to do can only be basically changed by thoroughly reforming the labor system.

## (3) Tap employment potential of the existing enterprises.

In this respect, new collective enterprises may be built by making use of the idle funds, factories and equipment of the existing enterprises. The "three wastes" resources and the leftover bits and pieces of the industrial materials of enterprises can be comprehensively utilized. Work hours must be transformed so as to add more work shifts. Enterprises can rid themselves of the workers that are recruited from rural areas outside the plan (there are 120,000 such workers in Liaoning Province at present, therefore to send part of them back to the rural areas in a planned way will help create some employment for those in cities and towns). The retirement system must be implemented strictly. About 1 to 2 percent of the staff and workers in the province will reach retirement age every year, that means there will be 100,000 to 150,000 workers reaching retirement age each year and to do a good job in the retirement of these people means to solve the employment of a great number of young people. In addition, more than 200,000 retired staff and workers have found employment again; it is necessary to clear up and rectify this so as to employ more young people that are waiting for employment.



(4) Step up preemployment vocational training.

There will be about 600,000 secondary school graduates in cities and towns throughout the province this year and next year. They are below 16 years old and they have no technical skill. Under the present situation in which the pressure on employment in cities and towns is very heavy, it will not be possible to employ all these graduates at once. Therefore it is necessary to step up vocational and technical training. According to calculations made by the Provincial Educational Department, if the number of vocational schools in the province is doubled to enable them to enroll twice as many students as at present, most graduates will consequently have opportunities to receive vocational education and as a result it will be possible to gradually change from recruiting workers to enrolling students and postemployment training to preemployment training. Judging from the development of the vocational and technical education in the province over the past 2 years, it is totally possible to reach such a goal in 2 to 3 years.

To solve the employment in cities and towns in Liaoning Province is not limited to relying on the above-mentioned four methods but these methods are important and indispensable. If we are able to do a good job in these four aspects, we will have more initiative in arranging employment and the problem of employment in cities and towns will be solved faster and better. The province has gained some experience in this aspect and it is now probing new roads. We are confident that we will be able to solve the problems of employment in cities and towns during the readjustment period.

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## GENERAL

### ROLE OF PURCHASING POWER IN STIMULATING NATIONAL ECONOMY

#### Expanding Purchasing Power

Beijing ZHONGGUO CAIMAO BAO in Chinese 1 Sep 81 p 3

[Article by Zhao Haikuan [6392 3189 1401]: "Fully Stimulating Purchasing Power to Promote National Economy"]

[Text] At the time that our country is undergoing economic readjustment and reform, to clarify the relationship between purchasing power and economic construction may facilitate the speedy readjustment of our economic structure, and get our national economy as soon as possible onto the right track of sound development.

#### 1. Purchasing Power Is the Driving Force Behind the Commodity Economy

Purchasing power refers to a consumer's power to purchase commodities and services determined by his cash income and expenses. Generally speaking, it includes the purchasing power of the means of subsistence and that of social services, as well as the purchasing power of the means of production. However, since the aim of socialist production is to satisfy as much as possible the evergrowing material and cultural needs of society as a whole; production expenses fluctuate with the cost of living; and the purchasing power of the means of production is ultimately dependent on the purchasing power of the means of subsistence. The purchasing power of the means of subsistence as its primary content. People's purchasing power of the means of subsistence ultimately determines the scale of the development of production.

Purchasing power is the lifeline of commodity economy. Whether commodities can be sold out in time depends on special reasons such as whether they meet the demand and whether their quality is up to standard. However, it depends mainly on whether there is sufficient purchasing power on the market. The question of purchasing power is also what is commonly referred to as the question of seeking outlet for goods. Whether there is a definite outlet for goods is the prerequisite for the development of commodity economy. The cyclical economic crises encountered by capitalist countries are due to the fact that the supply of commodities exceed the demand of the masses of the people's purchasing power, that there is insufficient outlet for goods, and that commodities find no market. As a result, there is an excess in commodity production. Capitalist competitions are mainly competitions for sales market.

## 2. Our Country Has Not Fully Promoted Purchasing Power in Boosting Our National Economy

For a long period, our nationaleconomy concentrated on the partial development of heavy industry. However greatly the purchasing power exceeded the supply of commodities and services, we did not adequately develop daily consumer goods, nor did we utilize it to lead the development of the whole national economy. As a result, our national economy was seriously out of balance, and our economic structure was developing abnormally. Not only did we not regard the increase of purchasing power as the driving force in developing the economy, we even regarded it as a burden to some extent.

We thought that in order to satisfy the demand of the increasing purchasing power, our country has to increase the investment in the light textile industry and service trades, and that means cutting down on the investment in heavy industry, and slowing down the speed of development. Since not enough attention was put on the development of the light textile industry, the purchasing power for consumer goods exceeded the supply, and with a lot of consumer goods in demand, it resulted in a tight market, so that the rationing of popular consumer goods had to be imposed.

Some comrades once incorrectly regarded the rationing of consumer goods as a manifestation of the superiority of the socialist system. In fact, this was a measure adopted by some countries in times of war. In peace time, however, most countries do not adopt this measure on commodities that can be produced quickly to meet popular demand, such as bicycles, wrist watches, sewing machines, etc. Some comrades thought that rationing helps stabilize the market, thus helping to realize stability and unity. Such view is one-sided. When this method is invoked to solve the problem of demand exceeding supply, production, without the necessary pressure, will not expand, and naturally, the supply of commodities will not further increase. This, in turn, will not bring about stability and unity on the one hand, and, from a long-term point of view, will pose the serious problem of inability to manifest the superiority of the socialist system on the other.

Some comrades say that, if rationing is not applied to certain popular consumer goods they will be sold out of stock, bringing an adverse effect politically. In fact, to devote major efforts to developing production is the only solution to get away from such a consequence. Rationing now only shows a serious shortage of supply of such goods, it also reflects the inability to change the situation by adopting the effective measures in a brief space of time. Certain consumer goods (here, we mainly refer to industrial goods which can be produced quickly) under circumstances of an already sharp contradiction between supply and demand, should be supplied with no restriction, without the fear of being sold out in stock. This can better reflect the situation of supply and demand than the measure of rationing. Open supply will further promote the departments in charge and the factories to adopt quick measures to increase production and market supply. At the same time, taking goods from stock to satisfy the demand of the masses can mitigate the contradiction between supply and demand; it can also accelerate business capital turnover, decrease capital tie-up by the commercial departments, decrease expenses, commodity waste and business cost, and contribute to socialist construction.

### 3. Purchase Power Should Be Fully Stimulated in Future National Economic Construction.

Since the Third Plenary Session of the 11th Party Central Committee, our country has begun paying attention to the positive function of purchasing power. Most consumer goods formerly under rationing have become available in the open market. Moreover, production of consumer goods according to market demand has step by step been made the core of national economic development. For the sake of further implementing the policies of readjustment, harmonizing the production of the means of production with the production of the means of subsistence for sound development, we should further promote the accelerating function of purchasing power in the days to come.

#### (1) We should provide conditions to ensure the steady increase of purchasing power.

In building up a foundation for overall national economic balance, we should endeavor to increase a little of the consumption funds of the whole nation annually. At the same time, under the guideline of full implementation of increasing production and practicing economy, measures of decreasing purchasing powers should not be adopted in general. This is a prerequisite for our national economy to get on the road of sound development.

We should adopt various measures to prevent foreign consumer goods from attracting our country's purchasing power and crowd our market. Under normal circumstances we should no longer take the initiative of buying in daily consumer goods from foreign countries so as not to shrink the domestic market of our own products.

We should also encourage various production units and commercial units to strengthen the task of advertising our own products and to explore the latent capacity of purchasing power and expand commodity sales.

Such mid- and top-grade durable consumer goods as television sets, refrigerators, washing machines and higher in price, and therefore we should vigorously encourage people's savings, especially savings for installment purchases, of television sets, and refrigerators, thereby creating conditions for the marketing of these goods.

#### (2) We should energetically develop various consumer goods demanded by the market, and to maintain a balance between the quantity of commodity supply and purchasing power, thus guaranteeing the stability of currency and prices.

We approve of "emancipating" purchasing power so that it will increase annually, but we do not say purchasing power should or can exceed commodity supply. Instead, we are aiming at actively developing production, increasingly adopting vigorous measures of commodity supply and ensuring supply matching the growth of purchasing power. To achieve this, we should increase considerably the production of consumer goods, and, on the basis of the needs of the masses of the people, strive to provide our domestic market with various top-grade commodities. We should enable our heavy industry to serve mainly the production of consumer goods. We should also develop service trades accordingly and satisfy people's various needs for food, travel and culture, so as to promote a good cycle in the entire national economy.

#### (3) We should strengthen the research and study of purchasing power so as to exert in full the guiding function of changing purchasing power vis-a-vis production. Only do we grasp the direction of purchasing power and arrange production accordingly can we accelerate capital turnover, increase production, reduce overstocking and accelerate socialist construction.



We should pay attention to, and grasp tightly the phenomenon of demand for commodities exceeding supply, and we should pay attention to grasping the phenomenon that insufficient purchasing power might lead to a slackening in sales. For a long time, our main contradiction in commodity market has been demand exceeding supply, so that people usually concentrate on noticing the condition of purchasing power greater than supply. As long as this situation is not grave, they assume everything is just fine. This view was basically right in the past because of the inattention of developing the production of daily consumer goods, and that the growth of consumer goods had been constantly slower than the growth of purchasing power. From now on, we should greatly increase the production of consumer goods, and be alert to situations where the growth of consumer goods exceeding that of purchasing power and the phenomenon of tight sales market. Only when we grasp the changing trends of the supply and demand of commodities can we truly produce according to market demand and accelerate our socialist construction.

#### Further Analysis

Beijing ZHONGGUO CAIMAO BAO in Chinese 6 Oct 81 p 3

[Article by Zheng Hongqing [6774 3163 1987]]

[Text] The article "The Role of Purchasing Power in Stimulating the National Economy" by Comrade Zhao Haikuan [6392 3189 1401] published in the 1 September issue of ZHONGGUO CAIMAO BAO, has expounded in concise terms the important role of purchasing power in social reproduction and has made suggestions as how to better exert its function to the full. I was much enlightened. However, I feel the need of further analyzing in concrete terms the question of purchasing power in our country at present.

#### 1. We Should Place the Question of Purchasing Power on National Economy as a Whole

It is beyond doubt that socialist countries should unceasingly raise the purchasing power of the masses of the people along with the development of production. The growth of purchasing power guarantees the continuous expansion of commodity market, and in turn it becomes a strong driving force for production, thus forming a benign cycle. Yet, purchasing power is derived from social consumption funds, and its growth is restricted by many objective reasons.

First, it should fluctuate with the quantity of surplus commodities which are in excess of what a worker has created beyond his own needs. Marx said, "The degree of being rich is not measured by the absolute quantity of products but by the relative quantity of surplus products." Generally speaking, the more surplus products a country produces, the greater the share of the individual's consumption after necessary deductions, and the faster the possible growth of individual purchasing power. The basic source of an increase in the amount of surplus products is from a rise in labor productivity. For a long time, due to various reasons, labor productivity of our country had been very slow in its growth, which reflected that the surplus products a worker could offer to society had been extremely limited, so that the growth of people's purchasing power was like water without a source, or a tree without roots. Arbitrary increase in cash income of the people without corresponding material guarantee and beyond the range of rising labor productivity will eventually lead to national income falling short of expenditure, inflation, soaring prices, thus harming the welfare of the masses of the people.

Second, the growth of people's purchasing power is also restricted by accumulation. The national income in a given period is a fixed amount. Too much accumulation squeezes out necessary spending and would affect adversely people's livelihood; on the contrary, too much spending squeezes out necessary accumulation and would exhaust the resources of expanding reproduction. The material wealth needed by consumption would be hard to prolong, and it is not suitable for the long-term welfare of the people. Due to the fact that our national economic structure is not rational, and the technological foundation backward, in order to take the first step of realizing modernization at the end of this century, we need to develop fundamental enterprises such as energy resources and transportation on a large scale. We need to accelerate the present technical transformation and arm our various national economic departments with advanced technical equipment. There is a great need for developing various fields such as science, culture and urban planning, etc. Furthermore, we need to increase continuously the means of production for the sake of absorbing the vastly newly increasing labor force. All these are impossible without considerable investment of capital. Our country at present is inadvisable to channel off too many surplus products produced by the workers for individual consumption; it is necessary to deduct an appropriate portion for accumulation funds; and the rate of accumulation should not be too low. Such a measure can result in the inevitable restriction on people's purchasing power.

Furthermore, the growth of people's purchasing power depends on the level of development in agricultural and light industry. At the present stage, the consumer goods needed by the people of our country are mostly provided by agriculture and light industry. If purchasing power grows too fast, surpassing the rate of agricultural and light industrial development, the monetary formation in consumption funds would be out of tune with the formation of tangible commodities. Social purchasing power would exceed commodity supply, making this unrealizable purchasing power "bounced check." Vastly populated is our country, where consumption is also great. Yet, the rate of agricultural and sideline products occupies only 20 percent of the total consumer goods, and there is not enough variety in the popular consumer goods provided by light industry, thus causing another reason for the restriction of the growth of purchasing power.

Summing up the above, in order to understand and handle the problem of purchasing power, we should proceed from reality, taking into consideration its need and possibility. On the one hand, we should treat the raising of people's purchasing power as a strong motive force behind production and the concrete means for realizing the socialist aim of production according to facts. On the other hand, we should take into consideration various restrictive elements and uphold the principle of "doing according to one's capability," and place necessary control on the range of growth of purchasing power, so as to guarantee a steady improvement on people's livelihood based on the development of production.

2. In the recent 3 years the range of growth of purchasing power in our country has been already too large. Since 1978, our Party and Government have adopted a series of measures to raise social purchasing power and improve the lives of the people. This move was absolutely necessary, except that they had taken too big a stride. Some enterprises recklessly give out bonuses and subsidies on various pretexts, and that some communes and production brigades and teams have inappropriately raised the list prices of agricultural and sideline products, thus heightening the boom of purchasing power. From 1978 to 1980, the social purchasing power in our

country has increased by 87.22 billion yuan, with an average annual increase of 29.17 billion yuan. This has not only surpassed the annual increase rate of approximately 5 billion during the past years, it has also far surpassed the highest range of increase in the industrial and agricultural production and national income of the same period. Such boom plus reasons of insufficient basic construction has caused the total amount of accumulation and consumption to become greater than the national income, and led to budget deficits and oversupply of money, thus affecting the stability of economic life.

During these 3 years, our country's annual agricultural growth has increased 6.8 percent, light industry 12.9 percent, and retail volume of social consumer goods 14.3 percent (11.1 percent after being adjusted for inflation). Such rate of growth is not slow, but because of the tremendous growth of purchasing power, the production and supply of consumer goods still cannot keep pace with demand, and the purchasing power which has not been realized has reached 30 billion yuan. Under such circumstances, price hikes are inevitable. Owing to the shortage of consumer goods and supply falling short of demand, producers and sellers have been put in a commanding position, which is detrimental to strengthening of business management and administration, and improve the quality of commodities and services. This situation is also detrimental to market readjustment function under the guidance of a normally developed planning. The facts have shown that the prerequisite for purchasing power to become a driving force for developing production is appropriate growth. If this is overlooked, and purchasing power is out of control or over-expanded, our national economy will be adversely affected.

3. We Should Endeavor to Maintain Equilibrium Between Purchasing Power and the Quantity of Commodity Supply. The mark of appropriate growth in purchasing power is found in its balance with the quantity of commodity supply in the market. Due to the fact that for a long time, supply has always fallen short of demand and the fact that the growth of purchasing power has been too fast over the past 3 years, two measures must be adopted simultaneously in order to balance it with the quantity of commodity supply: to actively expand production along with making more consumer goods available in the market on the one hand; and to adopt effective measures to impose necessary control upon the growth of purchasing power on the other.

(1) Readjust and perfect the distribution policies according to the principle of taking into consideration the interests of the state, the group and the individual concurrently. Enterprises may not, under any pretext lower the base in the profit-contract system, illegally retain tax benefits, enlarge individual shares or appropriate public property. Bonuses of the workers and staff members should directly match their labor productivity so that the two can fluctuate according to appropriate proportions. Units under the piece rate wage system should have an average prior quota allocation and strict system of measurement and assessment. We should seriously adhere to financial and economic disciplines, strengthen supervision and inspection, deal heavy blows against illegal activities such as graft and embezzlement, practicing or accepting bribery, etc. Such phenomenon as tax evasion or recklessly giving out bonuses must be resolutely halted. In rural areas, the tasks of prescribed purchases as well as allocation and transfer of agricultural and sideline products must not be cut down at random.

(2) We should increase production on a large scale various popular consumer goods and civilian building materials to satisfy the needs of the people so as to accelerate the withdrawal of currency from circulation. At present, emphasis should be laid on producing consumer goods with extraordinarily acute contradiction between supply and demand, such as famous brand bicycles, sewing machines, household appliances and food products, etc. We should concentrate all our efforts on this emphasis and reap a benefit at the earliest possible time. Heavy industry should serve positively in the production of consumer goods on all phases. Commercial departments should make great efforts to dredge various commodity circulation channels and to encourage economic diversification in commerce to increase sales volume. Furthermore, we should develop earnestly various service trades, cultural and recreational establishments to increase the withdrawal of non-commodity currency from circulation.

(3) Strengthen the management of credit management and maintain a tight control over the issuing of currency. We should perfect the overall balance between revenue and expenditure and between income and payment in credit operations and do everything in our power to avoid an easy money policy. At the same time, through the expansion of savings and deposits, we should develop the insurance business and to exert to the full the function of the bank in accumulating and utilizing wealth. We should transform a portion of consumption funds into production funds, and effectively release the pressure of the market and create favorable conditions for the balance between purchasing power and the quantity of commodity supply.

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## GENERAL

### PROVISIONAL PRICE CONTROL REGULATIONS PROMULGATED

Tianjin TIANJIN RIBAO in Chinese 21 Nov 81 p 1

[Article: "City Institutes 'Temporary Regulations on Price Control Rewards and Penalties' To Assure Basically Stable Municipal Market Prices and to Stabilize the People's Livelihood"]

[Text] The Tianjin Municipal People's Government recently issued an order requiring that all enterprises, utilities, government organizations, groups and military units as well as individual households engaged in the sale of [character illegible] family commodities put into effect "Temporary Regulations on Tianjin Price Control Rewards and Penalties."

The "Temporary Regulations on Tianjin Price Control Rewards and Penalties," (or "Regulations" for short) points out in the section devoted to general regulations that: these temporary regulations have been formulated specifically for the purpose of assuring the basic stability of municipal market prices, to stabilize the people's livelihood, and to advance the building of the four modernizations.

In the first section of the "Regulations" on price discipline, all units are required to strictly put into effect national price policies, the prices, and methods of arriving at prices, for products (or commodities) that have been set by price control departments. Industrial enterprises may not take it upon themselves to change the prices of products or list of charges for processing; commercial wholesale and retail units may not take it upon themselves to raise wholesale list prices and retail list prices; public utilities, service, repair and replacement, and materials supply and marketing firms may not arbitrarily increase their list of fees. Increases in fees must be reported for approval in accordance with the division of jurisdiction for price control. All units must carry out price adjustment regulations of price control units, and they may not drag their feet in their implementation, resist their implementation, or feign compliance with them while actually opposing them. Transactions in commodities at negotiated prices must be done strictly in accordance with control unit regulations on the kinds of goods and the principles for arriving at prices; expansion of the kinds of goods or increases in prices is not permitted. In the production, procurement and sale of goods (or commodities), each unit must assure quality, negotiate prices on the basis of quality, and make sure that quality matches the price. Doing shoddy work and using inferior materials,

misrepresenting inferior goods as quality goods, mixing of materials of different quality and adulteration, short weighting and short measurements, upgrading in order to boost prices, downgrading in order to lower prices and such covert means of raising prices are not permitted; lowering of quality of service in making repairs or replacements is not permitted. No unit is permitted to pare prices and privately divide up commodities. Illegal buying up of goods to sell at a profit is not permitted. The driving up of prices is not permitted nor is causing turmoil in the market. When prices for goods (or commodities) are formulated or readjusted, production or business units must factually declare to price control units costs or business fees with no resort to deception. Price control units at all echelons must accurately set and readjust prices in accordance with authorized procedures and within the limits of their jurisdiction with no exceeding authority. All units and individuals must strictly maintain secrecy about prices; they may not rush to make notification or divulge price readjustments for goods (or commodities) that have been set, nor may they use irregular methods to procure or sell goods (or commodities), the prices of which are about to be readjusted.

In the section on awards, rewards and penalties in the "Regulations," is the following: Those units and individuals who have strictly carried out price policies and observed price discipline in a model way, and those who have achieved in one of the following ways should be given commendations or rewards: those who strictly carry out price policies and regulations, observe price discipline in a model way, and who implement prices or lists of charges without error, making outstanding achievements; those who mark prices clearly, make sure that the price of goods tallies with the quality of goods, and those generally acknowledged by the masses to have made outstanding accomplishments; those who perfect the price control system, have a good foundation for setting or readjusting prices, and who routinize inspection of prices; those who dare to struggle against violators of price policies and discipline, actively reporting such offences to the authorities and bringing offenders to light. Generally speaking, individual performance ratings and commendations and rewards should be given advanced price control units once each year. In the case of outstanding areas or units, selection may be done twice each year. Those who have made special contributions may be given commendations or rewards at any time.

The "Regulations" also pointed out that those who do the following should be criticized, indoctrinated, and ordered to straighten out: those who make errors in calculations as a result of lack of professional competence, or those who make mistakes as a result of negligence, thereby producing inaccurate cost or business expense data; those who have not promptly delivered readjustment notices or who have lost price information, which has not as yet resulted in losses; those who have not acted in accordance with readjustment notices from price control units resulting in pricing mistakes, but where the instances have been unintentional and no losses have as yet resulted; those who lack a strong sense of responsibility toward their work thereby causing incomplete posting of clear prices for commodities, mistakes or confusion in posted prices, or those who occasionally give short weights or short measurements. Units with the following behavior shall be fined from 50 to 1,000 yuan, and those in charge, as well as those directly responsible shall be docked from 1 to 3 months of bonuses (including wage raises), and have 10 percent of base pay for a month deducted. Individuals who have behaved as follows be docked from 1 to 3 months bonuses, and have 10 percent of their basic wage for 1 month deducted.

Those who take it upon themselves to formulate or readjust commodity prices or the table of fees charged; those who wilfully enlarge the variety of commodities for which negotiated prices are charged, and those who jack up prices; those who take it upon themselves to raise allocation prices, ex-factory prices, wholesale prices, retail prices, or who increase price differences or price differentials. Those who violate regulations from price control units pertaining to the readjustment of prices, and those who are responsible for serious mistakes in prices and losses resulting therefrom; those who take it upon themselves to increase the list of fees charged; those who do shoddy work and use inferior materials, those who misrepresent inferior goods as being good; those who mix qualities or adulterate, those who short weight or short measure, upgrade quality in order to raise prices or downgrade quality in order to depress prices, and use such methods to covertly increase prices; those who know very well that measuring devices are not accurate yet continue to use them causing serious mistakes; those who practice fraud, falsely report costs or business expenses; those who procure at parity and sell at a negotiated price in an effort to make exorbitant profits; those who pare prices and divide up commodities among themselves. Units that do the following shall be fined 500 yuan or more, and those in charge as well as those directly responsible shall have bonuses for a period of from 4 to 6 months cancelled and from 15 to 20 percent of their basic wages for a period of from 1 to 3 months docked. Individuals that do the following shall have bonuses cancelled for a period of from 4 to 6 months and from 15 to 20 percent of their basic wages docked for a period of from 1 to 3 months. In serious cases, disciplinary action shall be taken with investigation carried out to fix criminal responsibility. Those who divulge price secrets creating serious damage to the country; those who covertly raise prices in seeking after exorbitant profits; those who illegally buy up goods for resale at a profit, those who jack up prices, and those who disturb the market; those who attack and seek revenge against persons who have brought to light and reported to authorities those who have violated price policies; those who have sheltered or connived with violators of price policies and price discipline to cause serious losses. All income derived from the violation of price policies is to be returned to users or consumers whenever possible; when not possible, it is to be confiscated. Seventy percent of all funds confiscated and all fines are to be paid to municipality, municipal district, and county treasuries respectively, 15 percent being retained by municipality, municipal district, county, and bureau price units. For goods on which prices were pared and then distributed among individuals, the difference in price is to be recovered and paid to the municipal treasury. Monies to be confiscated from units shall be obtained by garnishing income from sales. Fine may be paid only from bonus money held out of profits; they may not be carried as costs or business payments. Funds and fines taken from units must be paid on time. Those who do not pay by the stipulated time shall have money transferred to the state treasury from their savings in people's banks. Fines and confiscated funds retained by price units must be used for subsidizing training of cadres, for purchase of materials used in price inspection work and for carrying out price inspection activities, the rewarding of advanced units and individuals, and as funds for rewarding those who have turned in violators. They may not be used for any other purpose.

In the section on jurisdiction, the "Regulations" say: "The Municipal Price Commission has authority to investigate and deal with all problems in which units violate price policies. All bureaus and all departments have authority to

investigate and handle problems in the violation of price policies in their subordinate units. All prefecture and county price commissions have authority to investigate and deal with problems in the violation of price policies by production and business units under the jurisdiction of prefectures and counties (disposition of cases in units above the municipal company level must be reported to the Municipal Price Commission for approval). Price inspectors holding "Tianjin Municipal Price Inspection Certificates" have authority to conduct inspections in all units of the implementation of price policies. When they discover violations of price policies and price discipline, they may recommend ways the situation should be dealt with to municipal, prefecture, or county price commissions, or to bureaus or companies. After the municipality, prefecture, or county price commissions or bureaus or companies have made a decision on the disposition of cases involving the cancellation of bonuses, docking of wages, or levying of fines, the departments in which units or individuals that have been penalized are located shall carry them out. Those units or individual who have been penalized and who refuse to submit to the decision may petition superior price control units. The Municipal Price Commission is the final authority on punishment decisions. When disciplinary action is to be taken against cadres, staff or workers, municipal, prefecture, or county price commissions or bureaus, or companies may make recommendations for handling, passing them along to the units in which the cadres, staff or workers are located for action. Cases requiring investigation of criminal responsibility are to be turned over to legal organizations for handling in accordance with law.

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## GENERAL

### NEW GROUP MEDIATES BETWEEN PRODUCERS, SELLERS

Nanjing XINHUA RIBAO in Chinese 25 Oct 81 p 1

[Article by Wang Chenglin [3769 2052 2651] and Huang Zai [7806 6528]: "Resolve Contradictions in Production and Marketing of a Group of Products. Suzhou Municipal Industrial, Commercial, and Trade Cooperation Leadership Team Actively Begins Work"]

[Text] Recently the Suzhou Municipal Industrial, Commercial, and Trade Cooperation Leadership Team has studied and solved contradictions in the production and marketing of some products, making close the relationships between industry and commerce and between industry and trade to promote development of production.

The Suzhou Municipal Industrial, Commercial and Trade Cooperation Leadership Team was founded in late August. Following its founding, it first settled a contradiction between production and marketing of television sets. Early this year, industry and commerce in Suzhou signed supply contracts for 70,000 television sets. During the first half of the year when television sales were good, the plant marketed many of them itself, cutting back on the number supplied to commercial units. During the last half of the year when the market underwent change, the plant had trouble selling sets itself so it required commercial units to buy more of them. The commercial units were very unhappy about this and even refused to carry out their purchasing plans for the last half of the year. This hurt plant production. The Industrial, Commercial and Trade Cooperation Leadership Team summoned the parties concerned to a meeting where things were talked over to find a solution. Both sides examined their own shortcomings and agreed on a means of solution. In Suzhou City and in Suzhou Prefecture, television sets would be bought on the installment plan, the plants making a one time rebate on each television set bought. In this way, commercial units will buy all of the more than 10,000 television sets that have accumulated in stock at the plants and sell them on the installment plan to help Suzhou's television plants and their supply plants resume production.

In order to do a good job of busy season market supply, commercial units prepared to open a goods supply conference in September for eight major categories of goods including cotton, textiles, silk, knitgoods, sundries, cultural goods, hardware, chemical industry goods, and telecommunications goods. However, since the commercial unit's most in demand goods had largely been placed on the market during the first half of the year, the goods supply conference lacked products

that were much in demand. The Industrial, Commercial and Trade Cooperation Leadership Team invited industrial, and commercial unit comrades to talk things over together at once. After comrades from industrial units listened and reported on the situation in business, they unanimously expressed support for commercial enterprises to hold this conference. The industrial units at the meeting turned out a group of products in excess of production quotas for the commercial units to buy, including goods in great demand such as woolens, bed sheets, cotton and woolen shirts and trousers, wristwatches, sewing machines, and small-wheeled bicycles. In the case of products for which fulfillment of state procurement plans had been rather poor, such as soft silk fabric quilt facing, plush, and camel's hair, industrial units decided to temporarily suspend sales by themselves, turning over such goods entirely to commercial units for their purchase and supply. As a result of support given by industrial units, this goods supply conference went off rather well for commercial units.

The Industrial, Commercial and Trade Cooperation Leadership Team also took action on the needs of the marketplace, using consultations to readjust the product mix from some units, so that products produced by the plants better met needs. Right now the market in dacron [3321 0595] is slow but industrial units keep right on overproducing. As a result of the Industrial, Commercial and Trade Cooperation Leadership Team's having convened personnel concerned to analyze the market conditions, plants concerned decided to halt production of dacron and put the machines to work on producing thin medium length cotton fabrics. Commercial units agreed to overbuy the dacron that had already been overproduced, industry paying one time allowances for this overbuying of dacron. Both parties felt satisfied with this solution to the problem. Knitgoods made of chemical fibers, and stretch nylon stockings, which have accumulated in inventory, will find a market during the next several months as a result of arrangements made in consultations between industry and commerce, avoiding the creation of new inventories.

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## GENERAL

### REGULATORY ROLE OF SOCIALIST MARKETPLACE DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 3 Nov 81 p 3

[Article by Su Xuesheng [5685 1331 3932]: "Give Serious Attention to Study of the Laws of Commodity Supply and Demand"]

[Text] The law of supply and demand for goods is a major law in the field of the flow of commodities. The relationship between supply and demand is a reflection in the field of commodity flow of the relationship between production and consumption. Formerly our study of supply and demand for goods was frequently limited only to the speed of increase in the purchasing power of society and changes in the market, depending on this for organization of sources of supply of goods and for determining sales of goods. Only very little did we use supply and demand for goods as a law to be studied; therefore, our understanding of the law of supply and demand is insufficiently deep. Under a socialist system, basic socialist economic laws, the laws of planned proportional development of the national economy, the law of distribution according to work, and the laws of value are all reflected in the relationship between supply and demand in the marketplace. Consequently, thoroughgoing study of the law of supply and demand and all around understanding and application of this law possess major importance for carrying out a program of "development of the economy of guaranteed supply" to serve production and the people's livelihood, and to accurately formulate plans for commodity circulation, make market arrangements, and further improve administration and management.

What is the Law of Supply and Demand?

The law of supply and demand for goods is a law for commensurate development of supply and demand for goods. It is thus an inherent requirement for balance between supply of goods and demand for goods. The proportional relationship between demand for goods and supply of goods must be compatible. Demand for goods is what mainly actuates the law of supply. It is whether or not goods can be sold that, in the final analysis, determines demand. Therefore, supply must equal demand, and there must be a balance between supply and demand. This so-called balance means a coordination. However, balance is relative; imbalance is absolute. Imbalance--balance--imbalance is the process of development of movement under the law of supply and demand. It impels the steady production of goods and exchange of goods.

The compatibility between the supply of goods and the demand for goods spoken of here must include compatibility in quantity, quality, time, and space.

As regards quantity, a certain proportional quantity must be maintained in order to satisfy consumer demand in order to attain a compatibility between quantity of supply and demand for goods. The proportional supply and demand for goods reflects proportional distribution between production and consumption. Therefore, compatible supply and demand for goods requires compatibility in quantity of goods and quantity of currency. When supply and demand are not commensurate, both the material welfare of producers can be hurt and the material welfare of consumers can be hurt too.

As regards quality, the requirements of demand must be met. Variety, style, color and design, specifications, and composition must all meet the requirements of consumers and be commensurate with the consumer's standards. In addition, for some products, it is necessary that consumers be able to obtain care and maintenance and repair while using them in order to make the most of the material usefulness of the product. Without such services, consumers will be unwilling to buy, and slack sales will result that impair further production.

As regards time, inasmuch as some products are seasonal in nature and since consumption characteristics differ, supply of goods must certainly be compatible with demand in time if prompt exchange is to be made and in order to help hasten turnover of goods. If supply is out of line with demand, opportunities for sales will be lost and the time of flow attenuated causing a stockpiling of goods.

As regards space, the movement of products from area of production to place of marketing must be in the direction of market demand for products, and the scope of movement of products must be limited by the structure and capacity of demand in all markets so that quantity of production, quantity sent to market, and quantity consumed will all be coordinated, with no separation from market demand or blind organization of the movement of goods that create unnecessary losses.

In a commodity economy under socialist conditions, the role of the law of supply and demand for goods and the extent to which it functions have special characteristics. In China, land, rivers, mines and workforce have been removed from the commodity field, so the law of supply and demand for goods no longer plays a regulatory role in these spheres. Inasmuch as China's is a planned economy founded on public ownership, which also plays a supportive role in market regulation, the extent to which the law of supply and demand for goods operates is definitely restricted. However, so long as a commodity economy exists, the law of supply and demand for goods will play a role in socialist economic life, and it will be used to regulate production and consumption.

In the process of socialist reproduction, the mutually separate relatively independent process of commodity production and commodity flow have their own inherent, special laws such as flow channels, quantity of flow time of flow, flow expenses, etc., all of which play their own different individual roles in the process of commodity flow. Moreover, in the flow process, the law of supply and demand for commodities has its own separate, special function. Exchange of commodities



directly affects development of commodity production. At the present time, though China can exercise regulation through the state plan on supply not meeting demand for principal commodities in order to obtain a relative balance between supply and demand; still, in a situation of serious imbalance in the proportional relationship between supply and demand of commodities, fluctuations in prices would be thereby induced to the impairment of price stability. It is our duty to use the law of supply and demand for commodities to regulate production and consumption, and while maintaining basic price stability, to more greatly enliven the economic life of the society. While limited by some economic laws, the law of supply and demand also possesses its own characteristics, and its role in production, circulation of commodities and consumption runs broad and deep. Only by organizing commodity flow on the basis of the law of supply having to be compatible with demand can the channels of flow between production and consumption be unimpeded, and only then can reproduction continue to go forward. In capitalist society, supply and demand are automatically regulated through blind market competition and economic crises. Under the socialist system, the means of production are under the public ownership of society; national economic requirements have planned proportional development; state intervention in supply and demand is more direct than under capitalism, and more coercive. However, the state cannot put all of market supply and demand into the state plan; it must make full use of the law of supply and demand for goods, and through the action of supply and demand in the marketplace regulate production and consumption, using regulation of the relationship between supply and demand to produce a balance between supply and demand for commodities.

#### The Nature of Commodity Supply and Demand Relationships

Commodity supply and demand relationships are the reflection in the marketplace of the relationship between sellers and buyers. Though both commodity supply and commodity demand are phenomena common to commodity economy societies, under different social systems, commodity supply and demand relationships possess different social properties.

Under the capitalist system, commodity supply and demand relationships are formed on the foundation of the exploitive capitalist system, and they reflect the relationship of the bourgeoisie and the proletariat, the exploiter and the exploited, and they also reflect the contradictions and struggles within the bourgeoisie.

The nature of China's market commodity supply and demand relationships is fundamentally different from the nature of the commodity supply and demand relationships of the capitalist commodity supply and demand relationships. In socialist societies, the workers have become the owners of the means of production and the products of labor. The welfare of the state and of the working masses of people are one and the same. Relationships between one person and another are mutually supporting and mutually cooperative, and their common objective is the building of socialism. As a result, market commodity supply and demand relationships are socialist in nature; they reflect a brand new socialist production relationship. On the basis of different commodities, China's market commodity supply and commodity demand can currently be generally divided into two types. One type is supply and demand of means of production commodities. The other kind is supply

and demand of means of livelihood commodities. Supply and demand of means of production commodities is conducted largely among various production units. In order to conduct a smooth expansion of reproduction, all units and enterprises that produce the means of production have to provide means of production to an opposite party, and every unit and enterprise that produces means of production is both a supplier of means of production and buyer of means of production. Units and enterprises that produce means of consumption also require means of production producing enterprises and units to provide means of production. Right now major machinery, equipment, major raw and processed materials, and major means of production are supplied and distributed in a planned way by state materials control departments. Common machines and tools, ordinary spare parts, and ordinary means of production are supplied by commercial units through the marketplace. No matter whether suppliers of the means of production or demanders of the means of production, these production units have no fundamental conflicts of interest among them. Their common objective is to satisfy the daily increasing needs of society. Supply and demand of means of production commodities is carried on principally between socialist enterprises and the broad masses of working people in cities and the countryside. The means of livelihood needed by the mass of people are supplied principally by state owned commercial enterprises, supply and marketing commercial enterprises, and collective and individual commercial enterprises. Consequently, the supply and demand relationship for the means of livelihood is manifested in the new type socialist relationship of commercial units and the masses of people. Under the socialist system, the distribution of consumption goods to individual people reflects the principle of distribution according to work. Except for the rural collective economy, where a combination of goods and currency are used, elsewhere wages are paid in the form of currency, and money income is used to buy consumption goods by individuals. This kind of supply and demand relationship for the means of livelihood is essentially a relationship in which laborers reciprocally exchange their labor. It is a mutually cooperative relationship founded on a fundamental unanimity of economic interest among laborers. The founding, consolidation and development of such a relationship reflects the superiority of the socialist system.

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## GENERAL

### PRIVATE BUSINESS VENTURES INCREASE

Shanghai JIEFANG RIBAO in Chinese 24 Nov 81 p 1

[Article: "More Than 14,000 Individual Households in City Now Involved in Business, the Food and Beverage Industry, or Service Industries; Another 140 Youths Applied to Run Individual Businesses Last Month"]

[Text] During October, 141 urban and town youths awaiting employment in Shanghai made occupations for themselves and applied to do individual businesses. These together with those who have applied during the past 9 months brings the total during the year for the city to 645 youths awaiting employment who have gone into individual business. These individual households have made heartening achievements in different positions.

Formerly not very many urban and town youths awaiting employment in Shanghai went into individual business. During the 1 and 1/2 year period since the beginning of 1980, an average of only 14 per month did so, mostly because some people in society felt that it was "not honorable" for youths to engage in individual businesses, and some were doubtful about the policies of the party and government toward the individual economy, believing them to be "expedient measures." In order to encourage youths awaiting employment to actively engage in individual businesses, the Shanghai Municipal People's Government convened a special symposium on individual businesses for youth in October in which the party's and government's programs and policies toward the individual economy were further explained to remove mental apprehensions on the part of cadres and the masses. After the meeting, a rapid increase occurred in the number of youths awaiting employment making application to do individual business. Of the 298 people who applied during that same month to municipal industrial and commercial administrative units to do individual business, 141 were youths awaiting employment. Zhang Guoping [1728 0948 1627], a youth from Xuhui District awaiting employment, had planned on opening a small food and beverage shop at home, but on hearing that those who ran individual household businesses would be termed "the exploiting class" he watched and waited in indecision. After understanding the party's policy, he made up his mind to use his own residence to operate the "Hecun Food Shop" and asked three youths awaiting employment to be his assistants in providing food to primary school students.

Development of individual businesses helps fill a shortage in state operated and collectively operated business services, and provide a fair amount of convenience for the people's daily lives. Right now there are a total of more than 14,000 households in the city engaged in individual business activity, counting both those who have newly begun and those who had formerly been in business. Of this total, more than 4,100 households are engaged in the sale of commodities, mostly general merchandise, tobacco, sundries, and such small items used in daily life. Another group are "mom and pop or old woman shops," a store in the front and a home in the back of the premises. They work long hours and are distributed along streets and alleys. The residents call them "convenience stores." More than 800 households are engaged as individual business households in the selling of food and beverages. They supply the snacks and foods the masses like so much such as bean curd shakes, fried glutinous rice balls, fried millet cakes, Tibetan cakes, wontons, fried dumplings, and stir-fried steamed bread strips. Customers can go in and get served without having to stand in line, which both saves time and is convenient. More than 3,000 households are engaged in the services trades. In addition to those doing photography, barbering, and knitting, most are involved in tailoring, sewing, and processing of materials. Because they deliver their products quickly, numerous people like to have clothes made by these individual households. In addition, 2,800 households have individual repair industries. They travel the streets and alleys repairing palm leaf awnings, furniture, aluminum pots, shoes, and such items used in daily life. The masses feel they are a great convenience.

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Engineering

AUTHOR: HUANG Jiegang [7806 3381 4854]  
ZHAO Baofu [6392 1405 4395]

ORG: HUANG of the Department of Industrial Management Engineering; ZHAO of the Shanghai Naval Architecture Technology Research Institute

TITLE: "On the Rational Methods for Evaluating Staffs and Workers and Determining Labor Quotas in an Enterprise"

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TEXT OF ENGLISH ABSTRACT: This paper covers the following three areas of the problem: First, designing performance indicators to motivate honest and accurate forecasts and efficient operations from division managers; secondly, designing a calculating formula to incite the quota-determining agent setting the quotas within a correct extent; lastly, scheming the method of calculating indicators for the workers to work efficiently for the benefits of both the enterprise and the workers themselves.

It is believed that the top-men or managers will benefit from this paper in the administration of their enterprises.

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